EUROPE'S BUSINESS NEWSPAPER

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ARGENTINA
Menem's shuffle and reshuffle
Page 4

World News

Iran-Contra judge calls for Reagan diary entries

The judge in the Iran-Contra case of ex-White House aide John Poindexter ordered former President Ronald Reagan to turn over to the defence certain entries from his personal diaries.

Defence lawyers have described Reagan as one of their most important witnesses, claiming he would provide crucial evidence showing that Poindexter's actions had been known or approved. They issued a subpoena for the papers and records. Page 3

Honecker released

Erich Honecker, the former East German leader, was released from detention after an East Berlin appeal court upheld a judge's refusal to order his arrest on charges of "high treason" because of his failing health. Page 2

US fears on Europe

The US is increasingly concerned that events in the Soviet Union and Eastern Europe are spinning out of control, posing fresh problems for East/West discussions on the future of Europe. Page 16

Pakistan stays firm

Pakistan does not want war with India over a Moslem rebellion in Kashmir but refuses to compromise over the region, Sahabzada Yaqub Khan, Foreign Minister of Pakistan said. Page 5

Sofia offers power

Bulgaria's ruling Communist party invited the independent opposition to form a government of national consensus, an offer which was immediately rejected. Page 2

Nato troops out

The Netherlands is stepping out of line with Nato by planning to withdraw 750 troops from W Germany. Page 2

Policeman killed

A policeman was shot dead in a clash with ethnic Albanians demanding political reforms in Yugoslavia's Kosovo province, security officials said. Page 2

Managuan amnesty

The Nicaraguan government is to grant amnesty to all the remaining Contra prisoners in its jails following an agreement between President Ortega and local Catholic church leaders. Page 4

Thai dockers strike

Dockers in Thailand paralysed the nation's trade in protest at government plans to allow private companies to operate a new deep-water port being built on the eastern seaboard. Page 4

Chinese laud troops

Chinese authorities in Tibet held a mass meeting to award more than 400 medals to police and troops who suppressed repeated demonstrations by Tibetan nationalists.

Boeing hits heron

A Dutch Boeing 747 with more than 400 passengers on board returned to Amsterdam's Schiphol airport shortly after takeoff following a mid-air collision with a heron.

Missionary killed

An Italian missionary was killed and another was wounded when gunmen ambushed their car in northern Uganda.

Crew feared dead

All 19 crewmen of a Greek-registered cargo ship, the Flag Theofano, were feared dead after it sank in a storm in the English Channel.

First verdict

A former official of the Christian Democrat group in Strasbourg won a place in legal history as the European Court of First Instance delivered its maiden judgment in his favour. Page 2

Business Summary

Cohen quits as chairman of troubled Shearson

Peter Cohen resigned as chairman of Shearson Lehman Hutton, troubled investment banking and brokerage subsidiary of American Express, amid speculation that Shearson is about to drop its planned public share offer.

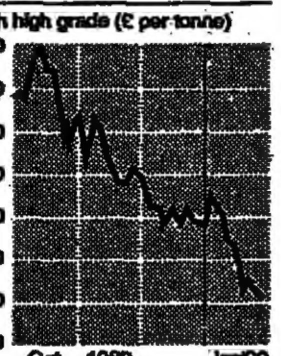
ELF AQUITAINE, the French state-controlled oil group, said it would take a $600m charge on Texasgulf, its US fertilisers subsidiary, dragging net profits last year down to an estimated FFr7bn ($1.12bn), less than the FFr7.2bn it recorded in 1988. Page 17

AIRBUS CONSORTIUM experienced production delays running at some $180m because of the 12-week strike at British Aerospace BAe, said Michel Delebarre, French Transport Minister. However, the threat by Airbus partners to charge BAe $40m for delays caused by the strike appears to have been lifted. Page 2

COPPER closed at a 17-month low of £1,301 a tonne as base metal prices declined across the board on the LME. Bearish

Copper

Cash high grade (£ per tonne)



sentiment largely reflected concern over unsettled world equity markets and a lack of fresh fundamental supportive factors. Page 28

DEUTSCHE BANK is taking advantage of the buoyancy of the German stock market to seek DM1.65bn ($990m) in a one-for-17 rights issue at DM600 per share. Page 17

CBI, the UK employers organisation, warned that Britain was on the edge of a recession and that unemployment would rise. Page 8

SANYO ELECTRIC, the Japanese electronics group, made worldwide net profits of Y16.84bn ($117.6m) for the year to November. Page 21

LONDON TRADED Options Market: Record trading volumes in the Footsie index option was a feature of an active session. High volume in the FT-SE was due in large measure to yesterday's expiry, but also to one trade of 37,000 contracts believed to have involved Bankers Trust. Page 23

MOODY'S Investors Service downgraded its assessments of Westpac Banking and the National Australia Bank (NAB). Page 22

JAPAN has relaxed rules on the opening of large new stores in the wake of international criticism of its tightly controlled retail distribution system. Page 5

FUJITSU, the Japanese electronics group, is likely to top the £400m investment originally expected in its microchip manufacturing plant in north-east England at Newton Aycliffe, Country Durham. Page 8

BOEING has reported sharply lower fourth-quarter earnings because of the "severe impact" of a 48-day machinists' strike which drastically curtailed deliveries of new airliners. Page 18

BEAZER, the UK construction company, has made a £29m ($47m) provision against its investment in Girvan, an Australian developer and contractor which collapsed with debts of A$500m ($398m). Page 17

Gorbachev agrees to principle of German unification

By Mark Nicholson in Moscow

MR Mikhail Gorbachev, the Soviet President, yesterday made his most positive statement so far on German unification, saying the principle of unity between East and West Germany was not in doubt. The matter should, however, be resolved responsibly and "not in the streets," he said.

Mr Gorbachev's remarks, quoted by the Soviet news agency Tass, preceded a meeting with Mr Hans Modrow, the East German Prime Minister, who flew to Moscow for talks with Mr Gorbachev and Mr Nikolai Ryzhkov, the Soviet Prime Minister.

In the past, the Soviet Union has stressed the obstacles to German unification. In a speech to the Communist Party Central Committee before Christmas, Mr Gorbachev said any discussion of the future of both Germanys must proceed from "the post-war realities." In particular, it had to take account of the 1975 Helsinki Accords, recognising post-war frontiers, and the responsibilities of the four victorious Second World War allies for Germany and Berlin.

He also warned the west against taking advantage of political turmoil in East Germany and said the Soviet Union would not allow harm to come to its Warsaw Pact ally.

After yesterday's meeting, Mr Modrow told a news conference that Mr Gorbachev had not ruled out the possibility of reunification.

The East German Prime Minister also asserted the importance of addressing unification in a broader European framework.

Tass quoted Mr Gorbachev as saying the question of unification "was not unexpected...In principle, no one puts it in doubt."

In a clear acknowledgment of mounting pressure for German unity, expressed again by huge crowds in Leipzig on Monday, Mr Gorbachev said: "Time is pressing on this process, giving dynamism to it."

The course of recent events in East Germany and the Soviet Union demanded that the issue be given "profound reflection," he said.

The Soviet leader urged that the question of unity be dealt with under European agreements on security, co-operation and arms reduction.

In a further official Soviet acknowledgment of the pressures towards reunification yesterday, Pravda, the Communist Party newspaper, ran a report from its East Berlin correspondent saying that the matter had become a major political issue. The report said that the weekend agreement between the East German Government and opposition parties to form a government of national unity had been declared as if "from a fortress under siege."

Mr Modrow said yesterday it was vital that the East German Government shows it is serious about unification, because of the continued flood of refugees to the West.

Polish disquiet, Page 2; Editorial comment, Page 14; Bush may announce new troop cuts, Page 16

Gorbachev 'may quit as head of Party'

An American television correspondent in Moscow quoted an informed source as saying that Mikhail Gorbachev is considering resigning as head of the Soviet Communist Party, Reuter reports from New York.

Steve Hurst, Moscow bureau chief of the Cable News Network, said the source told him Mr Gorbachev would try to hold on to the Soviet presidency.

Hurst quoted the source as saying Mr Gorbachev had been depressed since Soviet forces stormed into the Azeri capital of Baku January 20 to put down ethnic unrest, as he would have preferred a political settlement.

Bonn to press for new export rules

By David Goodhart in Bonn

WEST GERMANY is preparing a fresh assault on Western restrictions on the export of militarily sensitive technology to the east bloc, especially digital telecommunications technology.

The Bonn Government argues that recent liberalisation moves by the US do not go nearly far enough in the light of recent political changes.

A West German initiative will be presented to a special executive committee of the Co-ordinating Committee on Multilateral Export Controls (Cocom), which monitors such exports of potential strategic value to the east bloc, on February 14-15 in Paris.

This initiative, which Bonn claims has the backing of all the European members of Cocom, is likely to irritate the US which had a top level Cocom delegation in Bonn last week.

The US believes that it has been moving as fast as the uncertain political outlook allows, particularly in machine tools and computers.

Senior officials in Bonn say the main dispute in Cocom between the US, the dominant and most conservative force in the organisation, and West Germany, which is pressing hardest for relaxation, has switched from machine tools to telecommunications.

Bonn believes that the whole of eastern Europe and the Soviet Union should now be treated to the more relaxed "green line" restrictions which have applied to China since 1985.

This would mean the removal of all restrictions on the export of digital switching equipment to the East bloc, as well as mobile radio networks and civil satellite technology. Bonn also wants the removal of restrictions on technology transfer, thus allowing the east bloc countries to rebuild their telecommunications systems themselves using the latest technology. They are estimated to be 10 to 15 years behind the West in technology.

The West Germans argue that a proper telecommunciations infrastructure is an important precondition of economic reform and Western investment. However, the US is concerned about potential mili-

Continued on Page 16

Editorial comment, Page 20

Chances of recession in US have fallen says Greenspan

By Peter Riddell, US Editor, in Washington

THE current US economic slowdown is probably only a temporary pause in continued expansion, with a less than 50 per cent risk of recession, Mr Alan Greenspan, chairman of the US Federal Reserve, suggested yesterday.

In a detailed analysis of the outlook for the US economy, Mr Greenspan said the chances of a recession developing within the next six months had declined since last spring. However, he warned that the risk was not "negligible" and thought that there would not be "a clear fix until well into the spring months" about whether the economy was out of the woods.

He described the current inflation rate of 4.6 per cent as "unacceptable" and said "inflation at this stage is the greatest threat of recession."

While the underlying cost structure had not accelerated, it had not decelerated either. He thought there had been some modest increase in inflationary expectations, both in the US and worldwide.

Mr Greenspan's comments indicate no change in the Fed's caution about a further cut in interest rates ahead of next week's meeting of its policy-making Federal Open Market Committee.

While playing down recent reports of Administration pressure on the Fed to reduce interest rates, Mr Greenspan admitted he was being told privately by White House advisers that interest rates could be lower. He said recent public calls by Mr Marlin Fitzwater, the White House press secretary, for a cut were "inappropriate."

The bulk of Mr Greenspan's testimony to the Joint Economic Committee of Congress was about the current state of the US economy following last Friday's figures which pointed to a marked slowdown in the fourth quarter.

While acknowledging that the Fed must stay alert to the possibility of a more widespread downturn, he said, "such imbalances and dislocations as we see in the economy today probably do not suggest anything more than a temporary hesitation in the continuing expansion of the economy."

He noted two "probability-of-recession" measures linked to the index of leading indicators which suggested that the

Continued on Page 16

US capital gains tax cut 'likely,' Page 3

South African riot policeman grabs protester in yesterday's demonstration against rebel English cricket tour

South African protest routed

By Patti Waldmeir in Johannesburg

SOUTH AFRICAN police fired rubber bullets and tear gas at blacks demonstrating against a rebel English cricket tour yesterday, further damaging the country's international image and increasing domestic tensions.

The six-week tour by the English cricketers, which began last week, is proving a serious embarrassment for Pretoria, with international media coverage highlighting considerable brutality by police in suppressing anti-tour demonstrations. The team is defying an international sports boycott.

Organisers of yesterday's protest claim that 30 people were injured when police prevented blacks from leaving the Mangaung township near Bloemfontein to attend a demonstration outside the sports stadium, where the English side was facing South African university cricketers.

Witnesses said black youths threw stones and set up burning barricades when their way was blocked by police, who said the demonstration was an illegal gathering.

Police responded with tear gas, rubber bullets and baton charges, and arrested 45 people. A demonstration later in the day, for which police had granted permission, passed off without incident.

The protests come at a time of growing unrest in South Africa. In the past two weeks, police and protesters have clashed in Cape Town after a protest over inadequate black education, and in Kimberley following an anti-tour demonstration.

Yesterday police also used tear gas to halt a protest led by Rev Allan Boesak, a leading anti-apartheid campaigner, at a squatter camp outside Cape Town.

Further clashes seem possible today and Friday, when the Mass Democratic Movement (MDM), the country's largest anti-apartheid coalition, plans marches in Cape Town. The MDM is taking an increasingly confrontational line, refusing to seek magisterial permission for the marches, one of which will mark the official opening of parliament on Friday.

Yesterday's police action in Bloemfontein contrasted sharply with President F.W. de Klerk's recent instructions to police to abandon what he

Continued on Page 16

For they shall inherit the earth (and the mortgage)

By Robert Thomson in Tokyo

JAPAN'S future generations will soon be able to inherit more than family wealth. They will also be able to take on their grandparents' mortgages.

In a country where house prices are so high that many workers have mortgages of seven times their salaries, a leading finance corporation is offering 100-year loans – repayable over three or, in some cases, four generations.

Nippon Housing Loan Company, the largest specialist housing finance company in Japan, said that the loan would be suitable for families who could otherwise not afford a home and for investors who wanted to reduce the inheritance tax imposed on their children.

Three years ago, another finance corporation began offering 50-year loans, which could be passed down to a second generation of home loan repayers, and the Nihon Mortgage Corporation put together a "99-year" loan package in November 1988. But the 100-year loan is believed to be the longest of its kind for ordinary home buyers.

Mr Reiji Yasui, deputy chief of planning at Nippon Housing, said that the loans would probably be most popular among prospective buyers in the larger cities, such as Tokyo and Osaka, where land prices are highest.

Last year, land prices rose 28.7 per cent in Japanese cities after national rises of 22.6 per cent in 1988 and 57.5 per cent in 1987.

A detached house of 230 square metres (about three bedrooms) one and a half hours communting distance from central Tokyo costs some Y65m ($445,205), while it is difficult to find a house for under $350,450.

Under the terms of the 100-year loan, borrowers will pay interest at one percentage point higher than the prime rate, which is now 7.5 per cent – the standard housing loan interest rate is 7.68 per cent. The company said the interest rate will be revised every third year to take account of shifts in the prime rate.

A borrower may begin repaying principal as well as interest when the child reaches adulthood, or three generations may pay only interest, and then settle the principal by selling the land. Mr Yasui said that if the inheritor of the loan has no children, the terms should be renegotiated.

"The loan is very flexible," Mr Yasui said. "It would suit people who can't afford to buy land or people who have a lot of money and want to invest it in a condominium."

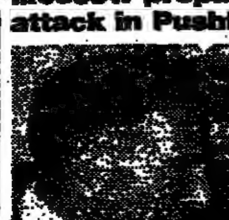
He said that single people were not be eligible for such a loan, which would cut inheritance taxes because outstanding interest payments can be claimed as "necessary costs" and claimed as a tax deduction, while depreciation charges could also be claimed.

The average life expectancy of a Japanese man is 75 years and of a women 81.

Japan to relax store curbs, Page 5

CONTENTS

Moscow prepares for a Mac attack in Pushkin Square



"Only for roubles" - a sign outside McDonald's latest hamburger restaurant - is a statement of faith by the man who is nearing the end of a 14 year fight to build an outpost of the hamburger empire in Moscow. Page 14

MARKETS

STERLING
New York closing
$1.6710
London:
$1.6830 (1.6785)
DM2.8275 (2.82)
FFr9.61 (9.575)
SFr2.5075 (2.4925)
Y242.25 (240.25)
£ index 88.9 (88.5)

GOLD
New York: Comex Feb
$418.1
London:
$419.25 (418.75)

N SEA OIL (Argus)
Brent 15-day Mar
$19.90 (-0.05)

Chief price changes yesterday: Page 17

DOLLAR
New York closing
DM1.6950
FFr5.7725
SFr1.4985
Y145.00
London:
DM1.6805 (1.6795)
FFr5.71 (5.705)
SFr1.4895 (1.4855)
Y144.0 (143.15)
$ index 66.8 (66.7)
Tokyo close:

US lunchtime rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 8.015%
Long Bond:
$94\frac{3}{4}$
yield: 8.606%

STOCK INDICES
FT-SE 100:
2,322.0 (−6.8)
FT Ordinary:
1,853.0 (−10.9)
FT-A All-Share:
1,181.24 (−0.3%)
New York closing
DJ Ind. Av.
2,543.24 (−10.14)
S&P Comp
321.21 (−3.99)
Tokyo: Nikkei
37,215.67 (+41.97)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{16}$ ($15\frac{3}{32}$)
Liffe long gilt future:
Mar $88\frac{1}{16}$-$88\frac{17}{32}$ ($88\frac{17}{32}$)

ALARM OVER PROSPECT OF GERMAN REUNIFICATION

Polish premier seeks frontier guarantees

By Ian Davidson in Strasbourg

MR TADEUSZ Mazowiecki, Prime Minister of Poland, yesterday voiced in unusually firm terms his country's anxieties at the prospect of German reunification and demanded guarantees of the permanence of Poland's western frontier.

"No people can be denied the right to live within the same state," he told the Council of Europe's parliamentary assembly in Strasbourg. "But the division of Germany resulted from a major disaster caused by the Nazi state, which destroyed tens of millions of lives. It is therefore not at all *surprising today* if, at a time when the prospect is emerging of a reunited German state, the memory of this disaster arouses anxieties which cannot be alleviated."

He said that the German question must be settled "with the agreement of all the interested parties, and in a manner which will guarantee the inviolability of the western frontier of Poland."

He also repeated his earlier suggestion for the establishment of a Council for European Co-operation, which would embrace all the signatories to the Final Act of the 35-nation Conference on Security and Co-operation in Europe. He said the council could have two functions: to prepare summit meetings of the CSCE states, and to examine pan-European problems.

Mr Mazowiecki's comments came as he formally lodged his country's application to become a full member of the Council of Europe. "The Polish people are acutely aware of belonging to Europe and the European heritage," he said.

Poland thus becomes the second East European country after Hungary to seek full membership of the 23-nation Council of Europe, one of the founding organisations of European integration, which includes all the countries of Western Europe.

Since last year Poland and Hungary, together with the Soviet Union and Yugoslavia, have had special guest status in the Council of Europe, which allows them to send delegates to attend and speak in debates of the Council's Parliamentary Assembly, as well as in certain committee meetings.

Yesterday East Germany also applied for special guest status, following similar applications earlier this month from Czechoslovakia and Bulgaria.

Full membership in the Council of Europe, which has to be approved jointly by member governments and by the Assembly, is only open to fully pluralist democracies.

The Polish application could pose a problem, since its last general elections were not completely free, reserving a proportion of seats in the lower house for the now-disbanded Communist Party

BETWEEN 600,000 and 1m Poles are working unofficially in West Germany and West Berlin, according to Mr Jacek Kuron, the Polish Labour Minister, writes David Goodhart in Bonn. Mr Kuron's estimate, made yesterday during a visit to West Germany, surprised Bonn Labour Ministry officials who said they had no idea whether it was accurate.

Mr Kuron signed an agreement in Bonn allowing the number of officially sub-contracted Polish workers in West Germany to increase from 9,500 to 11,000.

Unease at the growing number of Poles of German descent who are emigrating to West Germany has been expressed by an association of 10 towns in the heavily industrialised Ruhr region. The association wants a halt to such immigration.

Negotiations begin next week between West Germany and Poland on revising a treaty signed in 1975 which provides ethnic Germans from Poland with full West German pension rights.

The West German labour market saw an average 3.6 per cent rise in pay levels last year, according to the Bonn Labour Ministry. About 16m workers now work fewer than 40 hours per week with average working time now 38½ hours.

Old fears return to haunt citizens of new Romania

Victor Mallet watches a rough political game

AN OLD-FASHIONED sort of fear has begun to reappear in Romania less than six weeks after the December revolution which toppled Nicolae Ceausescu. It is not the fear of being shot in the streets, but the fear of informers and secret police files.

As demonstrations for and against the ruling National Salvation Front grow larger and noisier in an escalating battle of slogans, the opponents of the Front believe that its ex-Communist leaders are reverting to their old, repressive ways.

Although free speech is still very much in evidence, some of the Front's street critics are now reluctant to give their names to passing journalists for fear of reprisals, and there is much talk about the return of the hated Securitate.

The Front is playing a rough political game, organising pro-Government demonstrations with the help of the state media and its own local committees, and issuing crude decrees in a hopeless attempt to restrict the demonstrations of its rivals. Each side has accused the other of attempting to seize power through a coup d'état.

The interim Government, however, is not yet the monolithic or Stalinist organisation portrayed by its severest critics. On the contrary, it remains an unstable concoction of political factions and committed individuals, some ambitious and others anxious to return to normal life and a good night's sleep.

The popular but indecisive President Ion Iliescu has shown himself to be a man easily influenced by the shouts of protesters outside his office in Victory Square. His latest dilemma concerns opposition demands for a multi-party Council of National Unity to replace the Front's provisional administration, following the latter's decision to act like a political party and field its own candidates in the elections due in May.

Prime Minister Petre Roman's main claim to fame in Romania is his attractiveness to women, although he spends much of his time worrying about the disastrous state of the centrally-planned economy inherited from Ceausescu. Mr Sylviu Brucan, another important member of the Front's executive, has alienated many ordinary Romanians with his intellectual arrogance and intolerance of criticism.

After more than four decades without freedom, Mr Iliescu's opponents are hardly political experts either. Political arguments in Romania focus on the ownership of the revolution (was it achieved by students, workers, reform Communists or soldiers?), and the legitimacy of the Front (does it have the right to a monopoly of power?). But neither Mr Iliescu nor his rivals seized the opportunity to address a crowd of thousands and a television audience of millions when they appeared on the balcony of the Front's headquarters on Sunday.

Mr Corneliu Coposu, 74-year-old leader of the National Peasants Party, is a gentlemanly and brave politician who spent 17 years in jail for his democratic views. But he looks ill and his voice is weak. Both he and Mr Radu Cimpeanu, the leader of the National Liberal Party, had to abandon their offices on Monday when they were besieged by thousands of pro-Government demonstrators.

To say that Romanians are unfamiliar with politics is an understatement. The unpredictability and the imperfections of a free society have made people nervous and confused, as well as happy. Even the vocabulary is inadequate, and Romanians routinely describe people with whom they disagree as "instigators" or "provocateurs." People divide themselves into the rigid categories of worker, peasant and intellectual.

The wildness of the rumours and the frankness with which racist and xenophobic feelings are expressed are astonishing to the first-time visitor from Western Europe. Gypsies, Jews, Hungarians and Slavs are roundly condemned for lurid crimes of mass robbery, political violence or territorial ambition.

Front officials have stoked the fires of nationalism by claiming that opposition demonstrators are drunkards paid with foreign money, but there are signs that they may be regretting such methods. On Monday, Mr Iliescu and Mr Roman urged their supporters to go back to work to rescue the economy from its desperate straits.

So far this week there appears to have been little bloodshed, although Mr Brucan *said three people had been* stabbed when supporters and opponents of the Front staged rival demonstrations on Sunday.

Romania's most pressing problems have yet to be tackled, and Mr Iliescu must know that the loyalty of the factory workers will waver if food queues get much longer. Agriculture needs to be revived, and industry restructured in a way likely to lead to further unemployment. A peaceful election campaign has been thrown into doubt by the attacks on the opposition parties.

The army, the iron fist of the revolution, waits in the wings. Soldiers smile and smoke cigarettes as protesters mill around them, but they seem to be becoming impatient with people climbing all over their tanks and armoured cars.

THE HEAD of the Romanian broadcasting service resigned yesterday as chief spokesman of the ruling National Salvation Front after allegations that the provisional Government was using the media as a political weapon against the opposition, AP reports from Bucharest.

The resignation of Mr Aurel Dragos Munteanu, the second defection from the Front in four days, came as leaders of the two largest opposition parties accused the Front of engineering Monday's attacks on their headquarters.

Also yesterday, the Front published the draft of a law outlining the framework for a democratic system, including political pluralism, the separation of legislative, executive and judicial powers and the election President by the people.

The bill was debated in a weekend meeting of leaders from Romania's more than 20 political parties, some new and some revamped since the December revolution toppled the Ceausescu regime.

Six more killed in Kosovo

AT LEAST six people, including a policeman, were killed in clashes in Yugoslavia's Kosovo province yesterday over demands by ethnic Albanians for political reforms, Reuter reports from Pristina. This brought the death toll after a week of riots to 22.

Paramilitary police forces battled thousands of ethnic Albanians throughout the province, using batons and spraying crowds with tear gas from helicopters.

Finland's trade balance in red

Finland's trade balance dropped to a deficit of FM5.5bn (£835m) last year from a surplus of FM784m in 1988, according to figures released by the National Board of Customs, Enrique Tessieri reports. The poor figures are expected to increase the current account deficit from FM12.58bn in 1988 to around FM21bn in 1989.

BA to sue bomb hoax passengers

British Airways is to sue two passengers who, after a car to Geneva airport had broken down, tried to delay their flight to London by telling the airport there was a bomb on their aircraft, writes Paul Abrahams. The two men, who are Canadian, face criminal charges in Switzerland. BA said that losses caused by the delay and lost business could run into thousands of pounds.

Europe warned on biotechnology

Seven large European companies – Ferruzzi, Hoechst, ICI, Monsanto, Rhône Poulenc, Sandoz and Unilever – have warned that Europe is falling behind Japan and the US in the development of biotechnology, writes Tim Dickson in Brussels.

In a paper to the European Commission, they call on Brussels to resolve its many biotechnology policy initiatives, establish a clear product registration system based on efficacy and quality criteria, promote research and development, and create a single market for biotechnology processes and products.

Czech Communists lose majority

Czechoslovakia's Communists lost their parliamentary majority yesterday, paving the way for the restoration of multi-party democracy after free elections in June, Reuter reports from Prague. Both houses of the federal Parliament voted to replace deputies who resigned or were recalled by their parties under a new law passed last week.

"The reconstruction of Parliament introduced 120 new members of which eight are Communist deputies," the state news agency said. "This stripped the Communist party of the majority representation which it enjoyed for more than 40 years."

Travel mayhem for French commuters

French commuters faced chaos yesterday, with train strikes, blockaded roads, bad weather and no news service to tell them how to get to work, Reuter reports.

A strike in the Paris area halted two out of three suburban trains and a 36-hour national stoppage called to press for wage rises and job security was due to start later in the day.

Lorries blocked roads, as drivers began a protest over high petrol prices. News services on France's state-owned radio and the FR3 television channel were hit by a journalists' strike and, to cap it all, gales gusting up to 95mph were forecast for the north.

Court frees Honecker on health grounds

By Leslie Colitt in Berlin

MR ERICH HONECKER, the former East German leader, was released from detention yesterday after an East Berlin court ruled he was too ill to be held in custody. But he will still have to face trial for high treason in March, a spokesman for the prosecutor-general said.

Mr Honecker was let out of hospital on Monday after a cancer operation and taken to Rummelsburg detention centre in East Berlin. A judge, however, agreed with the view of Mr Honecker's physician and ruled that he was too ill to be confined.

The Chief Public Prosecutor, Mr Hans-Jürgen Joseph, appealed against the ruling, apparently with the support of many East Germans. Mr Honecker, who was deposed last October, is being widely blamed, along with his aides, for the present economic and political crisis.

His Socialist Unity Party, meanwhile, said it would change its name next Sunday to the Party of Democratic Socialism in an attempt to improve its image.

The mass resignation of party members continued yesterday as 11 senior members of Leipzig district council, including the chairman, Mr Joachim Draber, handed in their party cards. They said the party had proved unable to renew itself radically and that they would continue in their posts, bound only by concern for the people's welfare.

Mr Lothar de Maiziere, head of the East German Christian Democrats (CDU), also signalled his withdrawal from the Government as Deputy Prime Minister. Mr Maiziere is expected to hold talks this week in West Berlin with Mr Helmut Kohl, the West German Christian Democratic Chancellor, on establishing links between the two parties. Until now the CDU in Bonn has avoided contact with the East German CDU because of the compromising role it played for 40 years as a coalition partner of the Communists.

East Germany's other parties, facing elections in March, said they would also seek new alliances to confront the Social Democrats (SPD), the largest opposition party, which is receiving hefty support from its West German counterpart.

Ruling Communist party hard-pressed to contain social unrest

Bulgarian opposition spurns coalition offer

By Judy Dempsey in Sofia

BULGARIA'S ruling Communist party yesterday invited the independent opposition to form a government of national consensus, an offer immediately rejected by the opposition.

The offer to form a transitional government was made by Mr Petar Mladenov, the party leader, during his address to the Communist Party Congress which opened yesterday in Sofia.

Mr Mladenov's offer suggests the Communist Party leadership is hard-pressed to contain social unrest and cope with the economic and political crisis.

Mr Peter Beron, one of the founding members of Eco-Glasnost, the independent ecology movement, and the spokesman for the Union of Democratic Forces, the umbrella organisation for the independent opposition, yesterday ruled out any such co-operation with the communists.

"It (the invitation to form a transitional government) is a trap because they (the Communists) have all the levers of power and the mechanics of decision-making. They want to show the population that there is unity. Even if they offered us all the government posts, it would not change anything. We will not solve their problems for them. We do not want our hands tied."

Without some form of agreement between the party and the opposition which is just as divided as the BCP, there is every likelihood that the party will break up, popular scepticism *about the party will* increase and industrial unrest will continue.

Last week, workers at 17 of the country's mines went on strike, demanding retirement at the age of 45 and that young people should not be sent to work in the uranium mines.

This week, bus drivers went on strike over working conditions and hospital staff demanded the resignation of the health minister who they claim is corrupt. Over the past month alone, nearly 300 strikes have taken place throughout the country.

The social unrest is compounded by the deteriorating state of the economy. Professor Lyuben, an economist, recently wrote in the party's daily newspaper that 47 per cent of food items and more than 60 per cent of goods other than food were in short supply. There is even a shortage of cheese, meat and salt in the countryside. The cost of living rose by 69 per cent between 1985 and 1989.

The Government seems ill-equipped to restructure the economy, a point which Mr Mladenov touched upon yesterday when he hinted that Mr Georgi Atanasov, the lacklustre Prime Minister, might soon be replaced.

Meanwhile, Mr Mladenov said free elections would be held in May. The UDF has to agree.

Mladenov: struggling to deal with political crisis

Airbus faces $180m bill 'from BAe strike'

By Peter Bruce in Madrid and Paul Abrahams in London

THE strike at British Aerospace (BAe) has cost the Airbus consortium some $180m, with production delays running at three months, said Mr Michel Delebarre, the French Transport Minister, yesterday.

However, the threat by the French, West German and Spanish partners in Airbus Industrie, the European aircraft manufacturing consortium, to charge British partner BAe $40m for production delays caused by the 12-week-old strike appears to have been lifted.

Mr Delebarre said that no compensation should be sought, adding that "this (the strike) could happen to anyone." BAe said last night that when the question of compensation had first been mooted, the company had believed there was no case to answer.

A meeting of ministers from the four member countries in Madrid yesterday did not discuss compensation for delays caused by the strike. It confined itself merely to expressing the hope that "BAe will be able to resolve their problems as quickly as possible."

The ministers concentrated instead on ways to streamline management of the consortium and convert it into a single commercial company. They also considered plans to reorganise production of Airbus's new models.

Mr Claudio Aranzadi, the Spanish Industry Minister, said that while the governments involved would not impose solutions on the consortium, they could insist on the way financial information is reported to them. He said a meeting of the Airbus Industrie supervisory board in late February would have to make progress on integrating its finances and on the appointment and role of a new finance director.

The same meeting would also, the ministers hoped, make proposals on streamlining production. Current Airbus models are assembled in Toulouse and customised in Hamburg. But Mr Aranzadi confirmed reports that the consortium is now thinking of assembling and customising the A-321 in Hamburg, while manufacturing both the A-330 and A-340 in Toulouse. Ministers would agree to this arrangement if it did not involve substantial extra costs, he said.

Mr Aranzadi also announced that the ministers concerned planned to meet in Paris in three weeks' time with the European Community's external relations commissioner, Mr Frans Andriessen. They will try to reach a common position from which to meet US complaints that subsidies to Airbus Industrie are distorting the world aircraft market.

Dutch threaten to break Nato ranks

By Laura Raun in Amsterdam

AFTER YEARS of conspicuously good behaviour in Nato, the Netherlands is stepping out of line again as it rushes to disarm more quickly than some allies might like.

The Dutch are planning to withdraw at least 750 troops from West Germany and save Fl 2.2bn (about £700m) in defence spending by 1995 in anticipation of deeper arms cuts after the expected signing of the Conventional Forces in Europe (CFE) treaty in Vienna later this year. With Belgium talking of pulling out of Germany completely, the two countries risk polarising the Western alliance into faster and slower disarmament camps.

The Dutch initiative is a bold one prompted by budgetary constraints and promises of "social renewal" by the new Christian Democrat-Labour coalition Government. But the governing partners differ on how quickly defence spending should be cut and a final decision will be made only at the end of this year.

The Hague's manoeuvre follows a conciliatory period in which it sought to compensate for its rebellion in the early 1980s over the deployment of medium-range nuclear missiles on Dutch soil. What is unclear is how unilaterally the Dutch will move within Nato.

Mr Relus ter Beek, the Defence Minister, argued that the Netherlands must go beyond current CFE cuts, which will primarily affect the US and Soviet Union.

"The reductions borne by the Netherlands will be rather small and will not be sufficient to offset the financial problems resulting from the Government Policy Accord," he said. That accord, forged by the coalition last November when it took office, calls for a modest 0.6 per cent increase in defence spending in 1990 and 1991 followed by a freeze, paring Fl 1.2bn from the budget by 1994.

However, the Labour Party, junior partners in the coalition, wants to freeze military spending next year instead of waiting until 1992.

The 750 infantry soldiers represent about 9 per cent of all Dutch troops, including air force, in West Germany. They are part of the 3,550 troops that would be cut by 1995, amounting to 3 per cent of all armed forces. The Government also intends to trim two of its Nato tasks by providing 18 fewer F-16 fighter aircraft from 1993 and abandoning two guided missile groups in West Germany and one planned for the Netherlands. Fewer submarines, minesweepers, helicopters and frigates will be bought.

EC judgment wins a place in history

By Tim Dickson in Brussels

A FORMER official of the Christian Democrat group in the European Parliament, Mr Wolfdieter Yorck von Wartenburg, won a place in legal history yesterday when the European Court of First Instance delivered its maiden judgment in his favour.

Established by EC member states in 1988 to relieve the growing caseload of the European Court, the tribunal began work last November.

Its jurisdiction currently covers disputes between EC institutions and their employees, actions brought against the European Commission under certain articles of the European Coal and Steel Community Treaty and (most importantly) actions brought against Community institutions under the EC's competition rules.

Some 153 cases, about a quarter of those pending before the Court of Justice, were transferred in November, including 78 staff cases and 73 competition cases (of which 54 fall within four large groups of actions attempting to annul Commission decisions alleging anti-competitive agreements in the PVC, low-density polyethylene, polypropylene and welded steel trellis sectors).

Mr Von Wartenburg's case, in which the judges upheld his claim he was unfairly deprived by the European Parliament of an EC installation allowance, is fairly typical of the 50-70 staff disputes which end up in court each year. The verdict was given only two weeks after the formal hearing, a reflection of the fact that there will generally be no intermediate Advocate-General's opinion.

Dublin preaches revival to doubting congregation

The economy is booming, says the Government; the population is not so sure, writes **Kieran Cooke**

AN *IRISH* economic revival has been long awaited. According to a powerful lobby of Dublin economists, it has now arrived.

Mr Albert Reynolds, the country's Finance Minister, will doubtless draw attention to some of the main indicators of the country's economic well-being in a budget speech today. Top of the list will come the Government's achievements in cutting back the Exchequer Borrowing Requirement (EBR).

Last year Exchequer borrowing was I£479m (£450m), well down on a 1989 budget forecast of I£1.055bn. The gap between government spending and revenues was more than I£2bn in early 1987. This has now been pruned back to just under I£280m. The sharp reduction in government borrowing has been achieved mainly through big cuts in government expenditure (reduced from 55 per cent of gross national product to 44 per cent over the past three years) and substantial improvements in tax collection.

At the same time the economy has grown by an average annual rate of 4 per cent since 1987. Exports are running at record levels, up from I£10bn in 1987 to an estimated £I 14.3bn last year. Despite a considerable increase in consumer spending in recent months, Ireland is likely to have had a trade surplus in 1989 of more than I£2bn, equivalent to 10 per cent of GNP.

Inflation has meanwhile been kept down (to about 4 per cent last year), productivity and manufacturing investment have increased and contributed to what the OECD has described as "a remarkable turnaround in both domestic and foreign confidence in the Irish economy."

Added to this optimistic picture is the boost that nearly I£3bn of EC structural funds is likely to give the economy. The money will form part of an I£9bn three-year development programme, described as the largest single such programme in the history of the state, which is aimed at improving the country's infrastructure in preparation for the single European market.

However, Mr Reynolds will also have to grapple with the other, less than happy, aspects of the Irish economy. Top of this list comes unemployment, which at 17 per cent is twice the EC average. Though there are predictions that there will be a slight increase in jobs over the next two years, high levels of unemployment now threaten to become a permanent feature.

The Government also has to cope with what is seen as the increasing inequalities in Irish life. Expenditure cutbacks have caused serious problems in many areas, particularly in the health service. The present jobless figures would be considerably higher if not for the substantial slice of the workforce leaving each year. Emigration is now running at about 40,000 per year, with one in 20 of the population having left the country since 1982.

Though Ireland has the highest birth rate in Europe, its population is still falling. There is also a questionmark over just how well founded is the Irish economic revival. Foreign concerns still account for a large proportion of the growth in investment, new jobs and exports. Significantly, some overall growth forecasts have been trimmed back following recent larger than expected profit repatriations by Irish subsidiaries of foreign multinationals.

While some foreign companies have become firmly established in Ireland, others are rationalising operations and moving closer to larger markets.

There are indications that Mr Reynolds might move against some of the more generous tax breaks given to foreign companies in today's budget. But he only has limited room for manoeuvre, not wishing to blunt Ireland's ability to attract further inward investment.

The present Government has been successful in holding together a broad consensus of wage and productivity agreements with unions and other interested parties. But the Government still has to deliver on promises to increase employment and reduce taxes, among the highest in the EC. Mr Reynolds is likely to offer some concessions on tax in the budget, not only to ensure continuing industrial peace but also to bring Ireland's tax regime more into line with the rest of the Community. But again, there are constraints.

The Irish national debt, at I£25bn, continues to act as a serious impediment to development. Debt servicing charges alone last year were more than I£2bn, or I£40 per week for every worker in the country.

The present Government forecasts continuing growth. Boom or bust, with a surfeit of politics and paucity of planning, have been features of Irish life over the years. It will take time before the majority of the population is convinced that better economic times have in fact arrived.

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AMERICAN NEWS

Californian insurers win court victory

By Patrick Cockburn

INSURANCE companies in California have won a big victory this week in their battle with consumers organisations seeking to cut motor insurance rates. The state Supreme Court in San Francisco has decided to allow insurers to refuse to renew policies and withdraw from the state.

The court rejected, in a 4-3 decision, the case of insurance commissioner Roxani Gillespie that four companies belonging to Travelers Corporation could not leave the state without ensuring cover for policy holders.

Since a majority of California voters backed Proposition 103, cutting the cost and increasing availability of insurance, in a ballot in 1988 insurance companies have fought in the courts to limit the initiative.

Travelers and other insurance companies have threatened to pull out of California because they face big underwriting losses as a result of Proposition 103. Overall, however, insurers are unlikely to abandon California where property/casualty premiums total $30bn a year.

But the court decision, by opening up the option of total withdrawal, provides ammunition for insurers attending hearings before Judge William Fernandez at San Bruno, near San Francisco, which are to decide a fair rate of return for insurance companies in California. Last May the state Supreme Court upheld most of the provisions of 103 but said insurance companies must receive a fair rate of return.

The state Department of Insurance, criticised for failing to implement 103, has promised to produce a ruling on premiums to be paid by consumers within the next month.

According to the court decision: "Proposition 103 does not prevent an insurer from discontinuing its California business." In dissent Justice Allen Broussard argued that Travelers' firms should seek the commissioner's approval before withdrawing.

He wrote: "Proposition 103 was not enacted to make it easy for insurers to terminate coverage, but to make insurance more available to Californians and to protect them against loss of coverage."

US capital gains tax cut 'likely'

By Peter Riddell

MR Nicholas Brady, US Treasury Secretary, yesterday expressed confidence after talks with congressmen that a cut in capital gains tax would be enacted this year, having been blocked last November after a lengthy battle.

At a post-budget briefing, Mr Brady argued that the new savings package would help lift the low US national savings rate towards historical and international averages, while helping to increase productivity, lower interest rates and raise the US standard of living.

Apart from a cut in capital gains tax, the package also includes a new family savings account with tax incentives for those making long-term savings and provision for individual retirement account participants to withdraw up to $10,000 without penalty, prior to retirement, to buy a first-time home. This is provided the house costs no more than 110 per cent of the median price in the area.

Mr Brady's optimism about a cut in capital gains tax is justified by comments from Democrats. They believe some version will pass as part of a wider savings package of the kind proposed by the Administration and anyway being considered by Congress.

Canada puts brakes on interest rates fall

Dollar plunge brings caution to easing up on inflation fight, writes Bernard Simon

AN unexpected plunge in the Canadian dollar has strengthened the view that an abrupt fall in domestic interest rates earlier this month will not be sustained.

The drop in rates, which at one point narrowed the gap between US and Canadian short-term Treasury bill yields from 430 basis points (hundredths of a percentage point) to about 390 points, pushed the dollar down by almost three US cents, a far bigger drop than foreign exchange traders had expected, or than the Bank of Canada apparently wanted. The dollar has traded lower than 84 US cents in the past week.

The tumble in the Canadian dollar caused by the relatively small fall in interest rates reinforces a widely-held view that the Bank of Canada's watchword is likely to be caution. The bank's governor, Mr John Crow, told a parliamentary committee earlier this week that rates "rates have to be reduced in a reasonable and sustainable fashion".

The central bank responded to the sudden weakness in the currency by pushing short-term interest rates up. By Tuesday this week, the yield on three-month Treasury bills had climbed back at 12.3 per cent, compared with 11.9 per cent when the bank sent its initial signal that it was ready to relax its interest-rate policy.

However, economists remain virtually unanimous that three-year period of high interest rates is over. According to Mr Crow, "we are doing our best to bring down interest rates".

Still, economists only differ on how far and how fast rates will fall

Where they differ is on how far and how fast interest rates will now fall. Toronto Dominion Bank's economics department expects rates to come down by "a couple of hundred" basis points by mid-year. On the other hand, the Conference Board of Canada forecasts that banks' prime rate will be 12.75 per cent in December, not much lower than the present 13.5 per cent.

The economy is showing clear signs of slowing, with some key sectors, such as motor vehicle and newsprint manufacturers, heading for the doldrums.

There is encouraging news on the inflation front, which has been the Bank of Canada's main concern since 1987. The consumer price index fell in December for the first time in seven years. Seasonally-adjusted prices rose by an annualised 4 per cent in the final three months of 1989, well below the 5.2 per cent rate for the year as a whole.

The central bank remains concerned that a steep drop in interest rates would raise the threat of fresh inflationary pressures. If the spread between US and Canadian rates narrows further, selling pressure on the dollar is bound to increase. ScotiaMcLeod, the Toronto securities firm, estimates that without central bank intervention, the dollar would drop to 78 US cents if the interest rate gap narrowed to less than 300 basis points.

With imports making up about a third of the consumer price index basket, a weak currency would have a significant inflationary impact. The Conference Board's chief economist, Mr Jim Frank, estimates that an average exchange rate of 82 US cents this year would drive the inflation rate up from 4.9pc to 6.1pc.

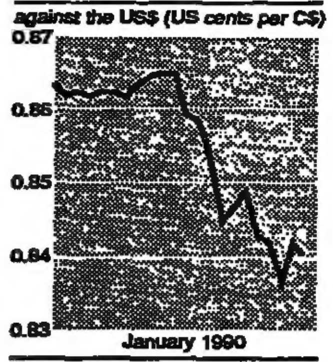
Ottawa can cushion the dollar's fall for some time by using some of its vast foreign exchange reserves, which have quadrupled to more than US$16bn in the past three years.

The spectre of accelerating inflation has by no means vanished, despite the encouraging news last month.

Last year was the worst year for inflation since 1983. And there is little hope of a marked easing in price pressures over the next year, even though business activity is likely to slow further. (Many economists are predicting a short recession either late this year or in 1991.)

Canadian $

against the US$ (US cents per C$)



Mr Leo de Bever, chief economist at Crown Life Insurance, expects the CPI to move up by about 4.5 per cent this year and by as much as 6 per cent in 1991.

The January 1990 CPI figure is unlikely to repeat December's fall. Several federal and provincial taxes were raised at the beginning of the year, and food prices have risen sharply in the wake of December's abnormally cold weather.

A longer-term threat comes from demands for hefty wage increases, the very problem that prompted the Bank of Canada to launch its unusually independent interest-rate policy three years ago.

With a slowdown looming, unions are pushing for a bigger slice of the record corporate profits of the past few years. Several key labour contracts are due to be negotiated this year, notably those for the Big Three motor manufacturers and the construction industry.

Workers preparing their wage claims also have their eye on the 7 per cent Goods and Services Tax (GST), due to be introduced in January 1991 as a replacement for the existing manufacturers sales tax. The government estimates that the GST will give a one-off 1.25 percentage point push to the CPI, although many economists think that is optimistic.

With an eye on the GST's inflationary potential, the authorities will probably want to hold prices down by encouraging competition. One way to do that will be to avoid any excessive stimulus to the economy, which is one more reason why interest rates may not be allowed to fall much further until there is clearer evidence that inflation has been beaten.

Reagan diary called for in Contra case

THE JUDGE in the Iran-Contra case of ex-White House aide John Poindexter ordered former President Ronald Reagan on Tuesday to turn over certain entries from his personal diaries to the defence, Reuter reports from Washington.

Defence lawyers have described Mr Reagan as one of their most important witnesses, claiming he would provide crucial evidence showing that Mr Poindexter's actions had been known or approved. They issued a subpoena for his personal papers and records.

Judge Harold Greene, in a 16-page ruling, said Mr Reagan has until February 5 to give Mr Poindexter copies of all diary entries on six specific Iran-Contra categories and for 29 dates ranging from July 17 1985, until December 2 1986, right after the scandal became public.

Judge Greene said the subpoena seeks classified and highly sensitive information. He did not elaborate.

Mr Reagan's diaries, if disclosed, could shed new light on his role in the affair that caused the worst crisis during his eight years in office. The scandal involved the sale of arms to Iran and the diversion of profits to US-backed Contra rebels in Nicaragua.

Judge Greene said it would be up to Mr Reagan to decide whether to assert executive privilege claims in refusing to turn over the diary entries.

If Mr Reagan claims executive privilege, there would be a hearing in open court on whether the diaries were material and crucial to Mr Poindexter's defence.

But Judge Greene already has reviewed the material in secret and it probably would be difficult for Mr Reagan and the Justice Department to change his mind and convince him that diary entries were not needed for Mr Poindexter's defence.

Inquiry agreed into killings in Mexican states

THE Mexican Government has agreed to an investigation into political killings in the states of Michoacan and Guerrero, writes Richard Johns in Mexico City.

In consenting to a bi-party inquiry, Mr Fernando Gutierrez Barrios, Minister of the Interior, made what amounts to a big concession after talks with leaders of the left-of-centre opposition Party of the Democratic Revolution (PRD) on Monday.

The Government had previously dismissed the bloodshed as a local affair in two states with a tradition of violence but the incidents are potentially embarrassing with the administration of President Carlos Salinas de Gortari trying to project an image of modernity abroad.

The PRD alleges that 52 of its activists have been murdered since the general election in July 1988 with the majority of the murders said to have been committed since the hotly disputed municipal polls on December 3 1989.

Phones group unveils $10m education grant

US West, the Colorado-based telephone company quoted on Wall Street, yesterday unveiled an unusual $10m corporate grant to fund early-childhood education programmes, writes Alan Friedman in New York.

The grant, one of the largest commitments to education by a private sector US company, is part of a $26m education hand-out approved by Mr Jack MacAllister, the philanthropic 62-year-old chairman of US West. Mr MacAllister, who announced the early-childhood plan in New York, said the aim was to help train the parents of 500,000 children in 14 western states living below the poverty line. He said the number of economically disadvantaged children who could benefit nationwide stood at 4.5m.

US West's contribution, which will go to tax-exempt charities and some public schools, comes when the Bush Administration is being accused of devoting insufficient resources to education.

Falklands company urged to be more accountable

By Robert Graham

THE FALKLANDS Islands Company, which dominates the British dependency's economy, should retain its current identity but be made more accountable to the islands and become more involved in new business prospects such as mineral exploitation.

These are some of the conclusions contained in a consultant's report commissioned for the parent company, Anglo United, the mining and fuel distribution group.

The report follows Anglo United's takeover last August of Coalite the FIC's traditional owner. "We are pleased that it confirms the direction in which we already see the company heading and we certainly do not intend to dispose of it", Anglo United said yesterday.

The report, prepared by Environmental Resources, suggests the company must continue to balance its business development with the islanders' sensitivities over its controlling presence in so many sectors.

The FIC, for example, controls 27 per cent of the land and 32 per cent of the wool produced on the island, 50 per cent of wool externally marketed; 75 per cent of shipping agency business and control of coastal shipping plus 80 per cent of non-military cargo between the UK and the Falklands; and 70-85 per cent of retailing.

To ensure local interests are heeded, the report suggests greater openness in the company's affairs, a resident chief executive (already implemented) and a degree of local equity participation.

On the development front, the report urges the undertaking of a comprehensive mineral survey of FIC-owned land. Anglo United appears more positive about developing FIC in the light of improved Anglo-Argentine relations. The two countries could resume full diplomatic relations following the next rounds of talks between the two sides next month in Madrid.

Menem's Argentine shuffle and reshuffle

Gary Mead looks at the latest round of ministerial musical chairs in Buenos Aires

Instability, it would appear, is becoming as intrinsic to Argentine politics as beef is to Argentine diets. Yesterday's resignation of Mr Juan Bautista Yofre, as head of SIDE, Argentina's intelligence service, is just the latest in a growing line of abrupt departures by senior government officials.

Although Mr Yofre's departure has been in the air for more than a week, it appears to be unrelated to the discovery of hidden microphones all through the official residence of President Carlos Menem.

Nevertheless, in less than seven months, President Carlos Menem has lost half of his original team. Such a disconcerting flurry of comings and goings, combined with an accelerating series of economic emergency plans, suggests that his administration is facing considerable problems.

President Carlos Menem: bugged in the Palace, now bothered by resignations in his government

Perhaps the most alarming of the post-Christmas resignations was that of Mr Italo Argentino Luder as Defence Minister. Mr Luder appears to have resigned because General Isidro Caceres, the army chief of staff, snubbed him by failing to invite him to a dinner attended by President Menem and cabinet members.

Mr Luder has been replaced by Mr Humberto Romero, who qualified as a surgeon but later took to professional Peronist politics. Mr Romero was appointed Mr Luder's second in command at Defence when Mr Menem took office as President on July 8 last year. But Mr Romero resigned just over one month later, a casualty of his chief's determination to bolster Gen Caceres against army dissidents led by ex-Colonel Mohamed Ali Seineldin.

Mr Romero takes a more favourable view of the nationalist aspirations of Mr Seineldin, who is himself the informal president of Gen Manuel Noriega's fan-club.

Other ministers have come and gone, pausing just long enough to change office nameplates. The turnrounds at the Ministry of Economy and the Central Bank still hold the record. Argentina is now into its third string of Economy Ministers since July 1989.

Mr Miguel Roig, the chain-smoking first incumbent, died following a heart attack after one week in office. His successor, Mr Nestor Rapanelli, survived the accusations of a Venezuelan magistrate of shady financial dealings during his period at the helm of a company in Venezuela, only to fall last December as confidence ebbed from his plans like the last notes of a midnight tango.

President Menem had tried to forge a grand alliance with Latin America's biggest multinational, grain-trading Bunge and Born, from the ranks of which Roig and Rapanelli were chosen. That fell apart within 6 months; Mr Rapanelli's permanently fixed smile froze as he watched Argentina's currency, the austral, fall from an official rate of 650 to the dollar to 1,900 within days last December.

In troubled times it is perhaps a natural instinct to run home, which is precisely what President Menem did following the fall of the house of Rapanelli. The new Economy Minister - still in place - is Mr Menem's old economic overseer from La Rioja, the poor province poorly governed by Mr Menem between 1973 and last July when he became president. Mr Erman Antonio Gonzalez took over Argentina's economy on December 15, having already moved twice within the Menem government.

His first post was as vice-president of the central bank. Mr Javier Gonzalez Fraga, Mr Egidio Ianella, and Mr Rodolfo Rossi have held the governorship of the central bank since July 1989; Mr Enrique Folcini has just taken over.

Mr Gonzalez's stint in the second rank of the central bank was followed by promotion to Minister of Health and Social Welfare, a post now occupied by Mr Eduardo Bauza (previously Interior Minister). One of Mr Gonzalez's first acts was to expropriate all short-term bank deposits over 1m australs (about $500 at current exchange rates).

The factionalism within the Peronist government confirms the worst suspicions which many had when Mr Menem won the presidency last May. At a time when the country's economic prospects are as dim as at any time for many years, Argentina can ill-afford the squabblings and place-seeking which have traditionally prevented the country from realising its potential. President Menem may increasingly be surrounded by figures neither he nor the country can trust, but he himself still suffers from a familiar Argentine affliction, the notion that shuffling personalities is a substitute for developing policies.

IMF team unlikely to grant pleas for more time

By Gary Mead in Buenos Aires

THE OLD IDEA that "a sunny day is a Peronist day" is looking a little tarnished. As temperatures have soared to a record-breaking 37 degrees centigrade, President Carlos Menem's neo-Peronist government has wilted.

February begins with the International Monetary Fund, which currently has a team in Buenos Aires, raking over the figures of a collapsed letter of intent signed scarcely four months ago. If the IMF's principle of conditionality is to avoid another dent, it must surely return to Washington with a thumbs-down for the current loan arrangement for Argentina.

The terms of the IMF's latest arrangement with Argentina - a debtor which has avoided all interest payments on its $60bn foreign debt since April 1988 - set targets which Argentina now has no hope of meeting in 1990. The Argentine government is pleading for a waiver, in order to obtain the second tranche (worth $230mn) of the $1.4bn loan.

But the IMF must be uncomfortably aware that if Argentina is let off the hook, many other similarly recidivist recipients of IMF handouts will take note and act accordingly.

The Menem government pledged itself to inflation of no more than 15 per cent during 1990; a reduction of the fiscal deficit to 1.25 per cent of gross domestic product and growth of 5 per cent. With inflation likely to be in excess of 60 per cent in January alone, the fiscal deficit still an unbridged chasm, and a domestic recession of unprecedented levels in full swing, October 1989's letter of intent has been torn to shreds.

In the third week of January the government's attempt to hold down wage increases collapsed when public and private sector unions signed deals giving increases of between 100 and 170 percent.

The finger of blame can hardly be pointed in any direction other than the government, and President Menem himself. Rather than obey his own dictates of last July when he promised "surgery without anaesthetic" he has followed the line of previous governments. It has printed money to cover government expenditure and has let tax avoidance continue unabated.

Thus Mr Rodolfo Rossi - appointed central bank governor mid-December, removed mid-January - came in with the usual flourishing promise of "no more printing of money."

On January 17 the central bank, then still under Mr Rossi, officially admitted to the printing of an additional 1bn australs (current exchange rate 1800 australs = $1). A serious falter in economic policy was made worse by President Menem when the next day he denied that the central bank had printed the new notes - despite the fact that the admission was made by Mr Rossi himself.

The printing of increasingly worthless notes was made necessary by the government's inability to say no to hard pressed trade unions.

In the third week of January the government's attempt to hold down wage increases exploded, when public and private sector unions of all types signed deals giving increases of between 100 and 170 per cent - to be renegotiated in February in the light of the latest inflation figures. What is depressing for many ordinary workers *is that even such mammoth* settlements still leave them far behind 1989's accumulated inflation of almost 5,000 per cent.

Nicaragua amnesty for Contras

By Tim Coone in Managua

THE NICARAGUAN government is to grant amnesty to all the remaining Contra prisoners in its jails following an agreement made on Monday evening between President Ortega and local Catholic church leaders.

In return President Ortega called on the US and Honduran governments to facilitate the release of prisoners held in the Contra camps in Honduras and to accelerate the Contras' demobilisation in accordance with the Central American peace agreements.

Some 1,090 prisoners will benefit from the total amnesty, including 39 ex-National Guard officers of the regime overthrown in 1979 who were not included in a partial amnesty last year. The 39 were found guilty of serious human rights crimes during the civil war which culminated in the 1979 revolution. Both the Contra leadership and the opposition alliance, UNO, have made repeated calls upon the government for a total amnesty as a confidence-building measure.

In recent weeks a number of prominent Contra leaders have returned to Nicaragua to participate in the electoral process.

President Ortega had said previously that the total amnesty would only be made when the 12,000-strong Contra force had been disbanded. After suspending a 19-month unilateral ceasefire last November he then softened his line, proposing a 50 per cent demobilisation in return for the amnesty, which was rejected by the Contras. Then last week he said that all the Contra prisoners would be released if the ruling Sandinista party wins next month's elections.

The concession made on Monday appears to be in response to a recent Contra offer to suspend its military operations until after the elections. An increase in Contra military activity led to the suspension of the government's 19-month ceasefire.

The government has not responded directly to the Contra offer, saying only that the Contras should be disbanding instead of offering a ceasefire. The amnesty measure though will place the onus on the Contras and their US backers to respect the electoral process. General elections will be held on February 25.

OVERSEAS NEWS

Japan to relax curbs on opening large stores

By Stefan Wagstyl in Tokyo

JAPAN HAS started relaxing rules on the opening of large new stores in the wake of international criticism of its tightly-controlled retail distribution system.

The Ministry of Trade and Industry is still studying proposed revisions to the rules, which would greatly reduce delays, sometimes lasting 10 years, faced by companies planning to open new stores. The proposals were due to have been published last year but have been postponed until after next month's election because of intense political interest in the the issue.

The ruling Liberal Democratic Party, which is fighting to maintain its parliamentary majority, owes a great deal of its urban support to the efforts of small shopkeepers who stand to lose out if more large stores are allowed to open.

But in practice the number of permits granted for new stores has been increasing steadily since 1987. According to the Ministry for International Trade and Industry, 163 new large stores of 1,500 sq metres or more in floor space opened in the six months from March to September 1989, the first six months of the Japanese financial year. That compares with 244 in the whole of the 1988-89 financial year, and 203 in 1987-88.

The Japan Council for Shopping Centres, an industry club, says the numbers are likely to continue increasing. Japan now has 1,429 shopping centres, says the council, which have opened over the last 30 years. A further 1,500 are planned. "We hope it will take a bit less than 20 years for these to open," said a spokesman.

Japan's trading partners hope that an increase in large stores will lead to an increase in sales of imported goods since big retailers are more willing to stock foreign products.

However, not all the stores classified as large by the ministry are big enough to sell a wide range of goods. Many are no more than local food stores or small supermarkets stocking food and household goods.

Mr Mike Allen, a retail sector analyst at BZW, the stockbroking arm of Barclays Bank in Tokyo, said yesterday the rush of store openings mainly involved chain stores.

Companies operating big stores of 10,000 square metres and more in floor space were also expanding, but they were concentrating on increasing the size of existing stores or replacing small ones with large ones, said Mr Allen.

Under the law, small shopkeepers have the right to delay the opening of a new store in their area by repeatedly questioning the would-be operator's plans.

Miti's plan is to limit this consultation to a maximum of two years.

But the impact of the change is likely to vary since the interpretation of the law differs between local authorities. A spokesman for Ito Yokado said: "Ideally, the law should be abolished to promote competition and bring down prices for consumers. But if the law is now managed properly we will be satisfied."

Tokyo bends on construction, Page 6

Restless Moslem fringe worries Peking

China's leaders have an anxious eye on the minorities beyond the Great Wall, reports Colina MacDougall

CHINA'S leaders, observing ethnic tensions boiling over in the Soviet Union in the wake of glasnost, are anxiously considering their own restless minorities. Last week Wang Enmao, Peking's ageing but battle-hardened provincial governor in Xinjiang – Chinese Turkestan, as it was once called – ordered new measures to prevent ethnic unrest and "counter-revolutionary rebellion".

This phrase is code for anti-party protest, but Peking has reason to fear more than just pro-democracy demonstrations, for historically China has seen devastating Moslem revolts.

The party is already in trouble after the slaughter of demonstrators in Peking last summer and the current unpopular tough economic policy. But Chinese leaders are determined to prevent any copying of events in eastern Europe and the Soviet republics. Unlike the Soviet Union, where non-Russians amount to almost half the population, China's minorities number only around 7 per cent.

But these minorities live mainly in China's vast fringe areas to the west and north. These Moslems, Mongolians and other folk share traditional cultures with peoples across the frontier and have no love for the Chinese.

These areas are heavily militarised, ostensibly because of the long frontier with the Soviet bloc but as much for internal security. Xinjiang and Inner Mongolia in particular have strong ethnic links with the nearby Soviet empire, and Xinjiang, criss-crossed since time immemorial by east-west trade routes and nomadic herdsmen, has a long tradition of shifting allegiances.

Xinjiang is home to about 13m people, of whom 6m or more are Turkish-speaking Moslems, the Uighurs. They form around half the population of the so-called Xinjiang Autonomous Region, and with the sprinkling of assorted also-Moslem Kazakhs, Tadjiks, Uzbeks and Tatars, they easily outnumber the ethnic Chinese. Other provinces and regions, notably Gansu and Ningxia, have substantial Moslem minorities, (though these are Hui (the much-intermarried descendants of Arab traders) rather than tribespeople.

Historically the Chinese feared central Asians – most notably Genghis Khan and his Mongol hordes – as barbarians who swooped down periodically to grab the benefits of civilised life. The Great Wall was built to keep them out, unsuccessfully as countless invasions showed. Chinese armies have fought over Xinjiang innumerable times, perceiving a constant threat unless the territory was pacified under Chinese rule.

But only when the Chinese empire was at its height has Peking genuinely controlled the region. After the First World War it was ruled by warlords loosely subject to China's Nationalist government, and there was even a brief independent Islamic "east Turkestan Republic". But with the communist victory in 1949 Peking took control, and has since attempted to develop the economy and solidify the ethnic Chinese presence.

In the middle 1950s Xinjiang's population was still only around 5m, of which 3.5m were Uighur, with ethnic Chinese numbering only about 200,000. Since then the Chinese, who differ from all the central Asians in race, religion, language, customs and appearance, have poured in to work in the new industries. On top of those, untold numbers have come as prisoners serving near-life sentences for political crimes.

Today, as in China's minority areas nationwide, the Chinese hold all the top jobs. The post-1949 influx has wreaked havoc with the traditional economy and way of life without much improving the standard of living. Centuries-old irrigation systems were damaged irretrievably by dogmatic Chinese farm policies, desertification has spread and nuclear tests at the Lop Nor site have contaminated huge areas.

In the Cultural Revolution the Uighurs, especially the religious, were cruelly persecuted and their mosques destroyed. While some have been rebuilt and a modest amount of cultural freedom encouraged, the Chinese are deeply unpopular. In recent years there have been regular outbreaks of inter-racial violence, with serious fighting in Kashgar in 1981 and 1988 and disturbances in other centres such as Yining, close to the Sino-Soviet border. One episode last year shows clearly how militant the Moslem community in China can be. Last May, during the throes of the Peking democracy movement, a violent crowd stormed party and government headquarters in Urumqi, Xinjiang's capital, denouncing a Chinese book which had explained mosque architecture and decoration in terms of sex. This protest was echoed round the country wherever there was a Moslem community, a warning to Peking that it was not immune to the tide of Islamic fundamentalism sweeping the world.

Currently China's Inner Mongolian region is a less sensitive but perhaps ultimately as threatening a problem as Xinjiang. The new and unexpected sight of Mongolians demanding a bigger role in government across the border in the Mongolian People's Republic could be seriously unsettling.

Since 1924, when Soviet forces set up the communist regime, the Mongolian People's Republic has been Moscow's most faithful satellite and for the 30 years of Sino-Soviet split, completely cut off from Inner Mongolia. With glasnost, however, the Mongolians are coming out of their shell, travelling more and widening their trade and cultural contacts. This, plus the news from eastern Europe, precipitated the two pro-democracy demonstrations in Ulan Bator, the capital.

Ironically the Mongolian population in China's Inner Mongolian Autonomous Region, at 3m, outnumbers the Mongols in Outer Mongolia by 50 per cent. Like the Moslem peoples in Xinjiang, the Mongols suffered severely at the hands of ethnic Chinese in the Cultural Revolution.

But despite its name Inner Mongolia has little autonomy. Prey to Chinese settlement for 200 years, today the Mongols are completely swamped, with ethnic Chinese totalling about 15m. Realistically there is no chance of closer union with Mongols over the border or even of genuine autonomy, but realism is not always the arbiter in nationalist movements.

At least China's most troubled ethnic area, Tibet, is unlikely to be directly affected by these erupting racial tensions, though it has the strongest claim of any to full independence. It has also battled the hardest for it, facing cruel repression from Peking's communists with uprisings and guerrilla war.

But despite cultural links to the Mongolians (at one time the Dalai Lama was their spiritual patron) it is geographically isolated. It has little in common with the Moslem world on its northern doorstep. Tibetans may find ways to put pressure on China internationally via the Dalai Lama, but Peking's main internal danger area as fall-out spreads from the effects of Soviet glasnost is likely to be Xinjiang.

Peking to draw dear Japanese credit

THE Bank of China, Peking's foreign trade bank, is to draw $500m of a $2bn credit line arranged with a group of 67 Japanese banks in July 1988, a Japanese banker said yesterday, Our Foreign Staff writes.

Approval for the Chinese request was given on January 11, and China has 90 days to withdraw the funds. Peking has not previously called on this loan.

"To use this credit, China must be critically short of reserves – the interest rate is very high compared with the loans they had negotiated previously," the banker said. The loan will be over 10 years, at a quarter per cent over Libor (London inter-bank offered rate) in the first six years and ⅜ per cent for the remainder.

Japan has made no new loans to China since the massacre of demonstrators in Peking last June, following the US and other western countries in imposing limited economic sanctions.

Medals for Tibet suppression

China has given more than 400 medals to police and troops who suppressed demonstrations in Lhasa by Tibetan separatists, according to reports from Peking, Our Foreign Staff reports.

Calling the protests "revolts and riots", the Tibet Daily said they formed a serious political struggle aimed at splitting the motherland, opposing the Communist Party and overthrowing the socialist system.

The paper reported that 323 "advanced individuals" and 92 "advanced groups" had been commended at a ceremony presided over the Hu Jintao, the region's party chief.

Since September 1987 there have been three large demonstrations when troops opened fire on unarmed crowds, the biggest was last March after which martial law was imposed.

Kuwait crackdown threatened

Crown Prince Sheik Saad al-Abdullah al-Sabah, Kuwait's Prime Minister, has threatened a crackdown on pro-democracy rallies, AP reports from Kuwait.

Sheik Saad said the rallies threatened to undermine Kuwait's security and sought to achieve goals beyond the restoration of the dissolved parliament.

He said his Government had remained patient with protesters calling for the return of the 50-member parliament, which was dissolved in 1986. But some of those who took part in the rallies "turned out to have targets beyond the restoration of the parliamentary life," he said.

Sheik Saad was alluding to at least four rallies called by activists and former MPs in different areas of Kuwait.

Help for Tunisian flood victims

President Zine El Abidine Ben Ali pledged Dinars 445m (£294m) for relief work to help the victims of the worst floods to hit southern Tunisia since 1969, writes Francis Ghiles.

In a televised speech on Monday night he said he sympathised with the victims for the late arrival of help but condemned the violent protests which saw crowds in Sidi Bouzid and Nefta attacking government building and setting cars on fire. Such demonstrations appear to have been encouraged by Moslem fundamentalists.

The torrential rains, coming after two years of drought when 85 per cent of the country's cereal crop was lost, killed 30 people and destroyed or badly damaged nearly 40,000 homes, 11,000 greenhouses and 1,000 kilometres of roads. An estimated 22,000 heads of cattle and sheep were lost.

PLO condemns immigration wave

Leaders of the Palestinian Liberation Organisation yesterday condemned the planned settlement of Soviet Jews in Israel and pledged to launch a diplomatic initiative against the plan, writes our foreign staff.

"Settling 300,000 Soviet Jews in the Arab occupied territories is a virtual declaration of war," a PLO official said. Israel says that only a tiny proportion of all the Soviet immigrants, expected to total between 70,000 and 100,000 this year, end up in the Occupied Territories. It clearly does not count significant numbers going to areas annexed to Jerusalem by Israel but even these do not account for a large proportion of the total.

The issue was ignited earlier this month when Mr Yitzhak Shamir, the Israeli Prime Minister, told supporters of his hardline Likud Party that a "big Israel" was needed to absorb the Soviet immigrants.

Refusal to compromise over disputed state

Pakistan denies plans to stir up Kashmir

PAKISTAN does not want war with India over a Moslem rebellion in Kashmir but refuses to compromise over the region, Mr Sahabzada Yaqub Khan, Foreign Minister of Pakistan, said yesterday, Reuter reports from Islamabad.

He repeated Pakistan's denial of Indian claims that it was responsible for fomenting a rebellion in Indian-controlled Kashmir, a denial which he made strongly during a visit to India last week.

"Pakistan is a peace-loving country and does not want conflict or confrontation with any other. We will not take any step which can endanger peace in this region. However, it is our right and duty effectively to reject India's wrong stand and baseless allegations," he said.


Bhutto: low point

Pakistan could never bargain away the right of Kashmiris to chose their own future. "Pakistan will not be cowed by any pressure or threat and will continue supporting the Kashmir people's right of self-determination," he said.

Pakistan and India have fought three wars since partition and independence in 1947, two of them over Kashmir which is now divided with Pakistan controlling about a third, China a small disputed area and India the rest. Pakistan has been defeated by the superior might of India's army each time.

As part of the UN-negotiated ceasefire in 1948 India agreed that the status of Kashmir should be the subject of a referendum but since then has repeatedly refused to hold one.

More than 60 people have died in Indian Jammu and Kashmir state in the past week, plunging relations between the two countries to their lowest point since Ms Benazir Bhutto took power in Pakistan in late 1988.

Politicians, diplomats and the press have begun discussing the possibility of another war as the level of rhetoric has risen on both sides of the divided mountain region neighbouring China.

Mr Inder Gujral, the Indian Foreign Minister, has also said that India does not want a war. But India has also made plain that it would do anything necessary to prevent Kashmir from seceding.

India asserts that Kashmir decided to join the Indian union after independence, while Pakistan argues it is still disputed territory which should be allowed to choose through a plebiscite under United Nations auspices.

A UN observer force has been deployed along the 870-mile ceasefire line since 1949 but can do little more than watch as the Indian and Pakistani troops trade small-arms fire across the divide almost daily. Observers counted 600 Indian violations last year. The year before there were 240.

Thai dockers strike over privatisation

By Roger Matthews in Bangkok

DOCKERS in Thailand paralysed the nation's trade yesterday in protest at government plans to allow private companies to operate a new deep-water port being built on the eastern seaboard.

The action by an estimated 4,500 workers belonging to six public sector unions is the latest dispute to hit the government's privatisation plans and hinder the development of the stock market.

Government mediators failed to persuade the men to return to work, although efforts continued into the evening as manufacturers warned of serious consequences if the stoppage lasted for more than a few days.

The unions affiliated to the Port Authority of Thailand are demanding that the government immediately drops its plan to invite bids later this month from companies wishing to operate the four commercial terminals at Laem Chabang.

It is hoped that the first terminal will be completed by the end of this year, helping to ease the serious congestion at Klong Toey Port in Bangkok which handles almost all the country's imports and exports.

Ministers have stressed that privatisation is vital if Thailand is to sustain the impressive growth rates of the past decade, but have had only modest success in changing the attitudes of the unions and often the managements of the 60 or so state-run enterprises.

Failure by Prime Minister Chatichai Choonhavan to settle the stoppage rapidly would, however, intensify the strains within the governing coalition and pressure is likely to mount for a compromise.

End of an institution in W Beirut

The hotel that hosted the press is no more, writes Lara Marlowe

ANOTHER Lebanese institution disappeared this month. It was not a ministry or an elder statesman, but the last reminder of West Beirut's days as the press centre of the Middle East.

On Friday morning last week, the former accountant of the wrecked and pillaged Commodore Hotel wrote a dozen cheques for about L£1m pounds (£1,120) each, the final lump sum payment to all but three of the hotel's remaining employees. When the war is over, its Kuwaiti owners hope to turn the Commodore into a shopping centre.

From the start of the 1975 civil war until the June 1985 TWA hi-jacking, the Commodore housed up to 180 foreign journalists at a time. "We only had 150 rooms," says Mr Fouad Saleh, who was the hotel manager. "We often put two in one room. Some of them stayed for a year."

When his hotel guests were kidnapped, Mr Saleh used to make the rounds of the militias until he found them. Then pro-Iranian fundamentalists began taking journalists hostage and even Western governments could not retrieve them. The journalists stopped coming.

The Casbah underground nightclub and the first two floors of the Commodore now house non-paying guests – Syrian soldiers who man the check-point in Baalbek Street sleep in the looted rooms. They have turned the hotel into an army billet with portraits of Syrian President Hafez al-Assad on the sandbags outside and in the lobby. The army bedroom walls are covered with magazine photos of pop stars.

Shredded blue and green curtains blow from the Commodore's broken windows. On the abandoned upper floors, the wind bangs doors shut. "Do not disturb" signs still hang from the doorknobs. Cats and rats carry on their own war in the dank boiler room. The smell of unwashed latrines pervades the lobby where a pile of rotten potatoes lies below a tarnished brass plaque recording the gratitude of Cairo journalists to the hotel's management in 1982.

"It makes me sad every time I walk in here," Mr Saleh says.

The journalists at the Commodore were like kids at summer camp, always joking. They drank a lot. They used to push each other in the pool with their clothes on. Sometimes there were 30 or 40 people in the pool at one time. The next day I'd have to clean it and there would be passports, watches, Amex cards and shoes at the bottom."

Journalists who remember the hotel's "golden age" say the rooms were often dirty, the toilets never flushed properly and it was overpriced. But it offered two things that no other hotel in Beirut then provided: protection and reliable communications.

Protection had a high price. "We made a profit," Mr Saleh says. "But it all went to the Palestinians, then to Amal (the Shia moslem militia) and the PSP (Druze militia). We used to pay $50,000 a month in protection money. And we had to feed all the militiamen. It was expensive but we had no choice."

All guests – including the Israelis who invaded in 1982 – were required to check their guns in at the reception. "Sometimes there were 20 or 30 guns stacked up behind the counter, Kalashnikovs, Uzis, M-16s. Many times there were shootings in the lobby, but no one ever got killed here," Mr Saleh says.

The Commodore has been in its death agony since February 14 1987, the day Amal and PSP militias pillaged the hotel. Commodore furniture and linen still show up around the city, but no one ever requested payment from Nabih Berri or Walid Jumblatt, the militia leaders. "The militias take, they don't give," a former hotel employee says.

The war has chosen its victims arbitrarily. The Coral Beach and Summerland hotels are thriving and a handful of others struggle on. Some of the Commodore staff have adapted, but others feel their lives have been ruined.

Mr Eddie Arzoumanian, who ran the small book and newspaper shop in the Commodore lobby, stayed for nearly three years after the hotel was shut down. "Mr Eddie", as everyone calls him, abandoned his shop two weeks ago.

Now the tall, thick-set 54-year-old Armenian works as a barman. He never smiles and speaks slowly, as if each word costs him great effort. "I had a nervous breakdown this year from the shelling, from being alone," Mr Eddie says. "It was an accumulation of the past 15 years. I thought about leaving but unless you have money it is very difficult. So I am stuck here. I don't know what the future holds."

After the Valentine's Day plunder by the militias two years ago, a British journalist offered $150 for the return of his pet parrot, which lived in a cage in the Commodore lobby. The parrot used to frighten newcomers with its imitation of exploding artillery shells.

The offer angered some of the Commodore employees. "Nobody asked about the families of 65 staff who were fired," one of them says.

"At least a dozen people showed up with parrots," says Mr Saleh. "Each time I would say "Tony *accrut*" (Tony, you bastard) and sing the opening bars of Beethoven's 5th symphony. Our parrot would have whistled the rest of the theme. None of the parrots they brought was the right one."

Mr George Saadeh, a Christian leader, said yesterday he had resigned from President Elias Hrawi's government because it did not represent all the factions in Lebanon, AP reports from Beirut.

However, the Government said it had not received a written letter of resignation from him.

Mr Saadeh is leader of the right-wing Christian Phalange Party. His resignation would mean the loss of much of the government's Christian backing, weakening its ability to confront Gen Michel Aoun.

Gen Aoun yesterday threatened to impose a power blockade on Moslem West Beirut. The main power grid which provides Beirut with electricity is in the Christian enclave.

He said he was considering ways of confronting a financial blockade by Mr Hrawi's Government. The Central Bank has not transferred funds to cover salaries for civil servants in Gen Aoun's enclave for January.

Aid switch to E Europe threatens Mozambique's recovery

More foreign funds and less war are the only way reforms have any chance of paying off, writes an FT correspondent

THOSE advising East European governments on the transition from a centrally-planned economy to a market-oriented one might usefully ponder developments in Mozambique which has three years of – not altogether happy – experience under its belt.

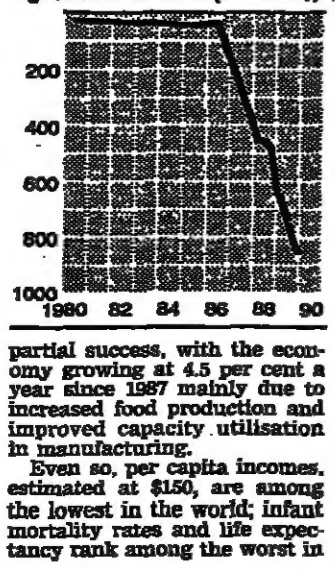
In 1987, when the economy was near the end of its tether, the Government, advised by the International Monetary Fund and World Bank, introduced sweeping reforms designed to revive a market economy that had been all but abandoned when the Portuguese fled their former colony in 1975.

In the six years to 1986, gross domestic product fell 40 per cent, largely due to the escalating civil war between the Frelimo Government and the Mozambique National Resistance (Renamo) rebels, but also as 11 years of Marxist economic policies took their toll. Exports fell by three-quarters, the money supply was out of control, the currency was overvalued and inconvertible, and debt payment arrears approached $1bn.

The reformers set out to rebuild the market economy by replacing administrative controls with price incentives, restructuring agriculture, industry, banking and public enterprises and reviving the use of fiscal and monetary policy to curb inflation and stabilise the balance of payments.

Interest rates were raised, price controls reduced and government spending cut – though this has been difficult to achieve in a country where defence spending absorbs 36 per cent of the budget and 10 per cent of GDP. The metical was massively devalued from 39 to the dollar three years ago to 830 today. Private firms were allowed to trade in sectors previously reserved for state corporations.

The programme has been a partial success, with the economy growing at 4.5 per cent a year since 1987 mainly due to increased food production and improved capacity utilisation in manufacturing.



Even so, per capita incomes, estimated at $150, are among the lowest in the world; infant mortality rates and life expectancy rank among the worst in Africa; industrial output is running at only half its 1980 levels; 90 per cent of food grains are imported, while exports finance a mere 15 per cent of total imports. Even if this growth performance can be maintained, it will take a generation to regain 1980 levels.

Despite a reduced public sector deficit and tighter control of the money supply, the reforms have been enormously inflationary, with prices surging 160 per cent in 1987 and another 50 per cent in 1988. Last year inflation slowed to 30 per cent, but in so highly import-dependent an economy, the further currency devaluation, which is inevitable, must mean continued rapid inflation.

The social and political repercussions of this have been vividly illustrated in the recent rash of strikes in Maputo for which the Renamo rebel leader, Mr Afonso Dhlakama, has claimed responsibility.

A disappointing, if hardly surprising, aspect of the programme has been the failure of exports to respond. They fell 10 per cent last year to $93m, compared with $230m in 1982 and a low point of $75m in the mid-1980s. The World Bank expects exports to more than double during the next four years, reaching $210m by 1994, but this looks to be excessively optimistic in the light both of recent performance and the narrow export base, with prawns and cashew nuts accounting for two-thirds of the total.

In any event, the export contribution to the balance of payments is no more than marginal. Mozambique earns more from invisibles – worker remittances and rail and port services – though the former are on a plateau and likely to remain so.

At the same time, the debt-service burden is 275 per cent of exports of both goods and services and nearly one-fifth of GDP. The current account payments deficit, running at more than $1bn a year can be funded only by the combination of aid inflows and debt relief.

Because Mozambique's situation is unique, comparisons with other communist states seeking to restructure their economies can be taken only so far. The binding constraint on economic recovery, not shared by Eastern European countries, is the scarcity of skills throughout the economy. No East European country has so undeveloped an infrastructure, such low living standards and such heavy dependence on agriculture.

Options are further circumscribed since with such grinding poverty there is no scope for reducing consumption to boost savings and release resources for investment or exports. Furthermore, Mozambique is not going to attract inward investment on the scale that Eastern Europe can realistically expect.

Above all, there is the war. Until that is settled, recovery will remain a mirage. As it is, the fragile upswing is almost totally dependent on aid inflows which, including debt relief, are projected by the World Bank at $1.4bn a year over the next four years.

Ironically, it is probable that Mozambique will be one of many African countries to suffer as aid funds are diverted to Europe, which makes progress towards ending the war more urgent than ever. But even if these aid levels could be attained, they are more of a "working capital" character than developmental.

They are keeping the economy afloat, but self-sustaining growth will remain elusive until President Joaquim Chissano and Mr Dhlakama can resolve their differences. This consideration ought to concentrate the negotiators' minds wonderfully when face-to-face talks start, perhaps next month.

WORLD TRADE NEWS

Machinery sales to East Germany 'likely to triple'

By David Marsh in Bonn

WEST GERMAN mechanical engineering companies are likely to triple sales to East Germany in the next two or three years, to an annual total of DM5bn (£1.8bn) to DM6bn, as industrial co-operation between the two German states gains ground.

This is the forecast of Mr Raimund Hörth, an expert on eastern European business at the German Machinery and Plant Manufacturers' Association (VDMA).

Mr Hörth estimates that West German machinery manufacturers, which delivered roughly DM1.8bn-2bn worth of equipment to East Germany last year, will share in a likely investment boom after a new government is established in the March elections. "I believe deliveries will be at least DM5bn-6bn by 1991-92," Mr Hörth said.

Other industry observers believe his prediction is over-optimistic, in view of the long delivery times – around a year – for even standard pieces of West German machinery.

But he pointed out that West German engineering companies were likely to purchase components and sub-sections from abroad to meet demand in East Germany if re-equipment there gained momentum. Environmental technology projects as well as Volkswagen's plan for a DM5bn East German car joint venture were likely to bring large-scale orders for German machinery sub-contractors, Mr Hörth added.

Machine-tool makers were also likely to be first to receive orders for modernising East Germany's industrial fabric.

Although West Germany machinery makers have in the past criticised export control restrictions for dampening East bloc business, Mr Hörth hoped the rules policed by Cocom, which vets technology exports to the East Bloc, would soon be made more flexible.

The West German machinery sector is made up overwhelmingly of small and medium-sized companies, with roughly 90 per cent of VDMA membership made up of companies with fewer than 500 employees.

About 400 West German machinery and plant manufacturers were started up after World War II by East Germans who fled to the West or had had their businesses confiscated.

The VDMA reckons that the East German machinery sector could soon revert to the industry's traditional small business structure if the giant state-owned Kombinat companies are slimmed down and split up under future restructuring plans.

Japan vehicle exports drop by 3.6% to 5.9m

JAPAN'S vehicle exports fell 3.6 per cent to 5.9m in 1989, from a year earlier, and are likely to continue dropping this year, an official of the Japan Automobile Manufacturers Association (JAMA) said yesterday, Reuter reports from Tokyo.

Industry analysts attributed the fall to weak demand in the US and strong Japanese domestic demand, which diverted some production away from exports. Another reason was rising output by foreign subsidiaries of Japanese carmakers.

It was the fourth successive annual drop from a peak of 6.7m cars, trucks and buses in 1985. Japan is the world's largest vehicle exporter. "Japanese vehicle exports will be flat at best in calendar 1990," the JAMA official said, adding that the industry expected US sales to be poor this year.

Total vehicle exports to the US fell 9.9 per cent from a year earlier to 2.4m in 1989, while car exports to the US dropped 5.2 per cent to 1.9m.

Vehicle exports to the European Community rose 2 per cent to 1.2m in 1989, but growth has been moderate because of the monitoring system imposed by the EC.

A Japanese research institute predicted Japan's vehicle exports would fall to about 5.8m in 1990.

Bill seeks to give US banks a fair deal abroad

By Nancy Dunne in Washington

THE chairman and leading Republican on the Senate Banking Committee have joined forces behind legislation requiring reciprocal treatment for American banks seeking markets abroad.

Targeted particularly towards Japan, the legislation has the backing of Senator Donald Riegle, chairman of the Senate Banking Committee, Senator Jake Garn, the senior Republican, and a bipartisan group of seven other senators.

The bill, entitled the Fair Trade in Financial Services Act, requires the US Treasury to negotiate equal treatment for US banks overseas. It permits US banking and securities regulators to turn down applications for regulatory approval for expanding activities filed by foreign banks and securities companies of countries found to be discriminating against American banks.

Such rejections would not force foreign financial companies to shrink their existing operations, but it would limit their future expansion.

In a statement on the Senate floor, Senator Riegle expressed alarm that foreign banks now control over one quarter of all banking assets booked in the US. Japanese banks have 14 per cent of such assets, and in California, 25 per cent.

In contrast, the share of banking assets held by American banks, like other foreign institutions, has been declining in Japan. The US share of the Japanese market is now 1 per cent.

● Japan's central bank yesterday warned Japanese companies that increasing their overseas investment might cause friction with other nations, Reuter reports.

The Bank of Japan said in a quarterly economic study that foreign investment by Japanese corporations had been increasing rapidly.

"Such trends, if they proliferated, could endanger the free trade system, thereby having negative implications for the world economy," it said.

A string of recent Japanese acquisitions in the US has sparked calls among some US lawmakers for curbs on foreign investment in America.

Japanese bend on contract barriers

US sees the door slowly opening to foreign bidders

THE Japanese construction market has begun to show signs of yielding to US pressure that it open its bidding processes to foreign contractors.

As a number of deadlines approach for US retaliation, movement has begun on several fronts which indicate that the Japanese have acknowledged that the US is serious in its demands for the market-opening.

"They are responding, although not as rapidly as we would like," said Senator Frank Murkowski, the Alaska Republican who has taken the lead in Congress on the issue.

"But it is a crawl-before-you-walk-before-you-run situation. We're encouraged with progress because we've come from nothing in four years."

Late last year, Mrs Carla Hills, the US Trade Representative, said that Japan had "unreasonable" trade barriers in construction services, but she delayed any retaliation until May on the grounds of the progress thus far.

The US and Japan have a two-year construction market-opening agreement ending in May, which thus far has achieved disappointing results in dollar terms.

US companies, promised access to bidding on 14 major projects, have won contracts worth a mere $200m.

The Japanese say American companies have contracts worth about $250m on other projects.

The US disputes the details – insisting that the figure includes Otis elevators and IBM computers – but it hardly matters in the context of a total market estimated at almost $500bn a year.

Still, Senator Murkowski and US industry see promise in the following actions:

● Thirteen joint venture agreements between US and Japanese companies.

● An easing of the licensing procedures which has yielded 14 licences for US companies, up from zero.

● Sixteen awards to US companies since the inception of the market-opening agreement, including a share for Bechtel in an $800m Haneda airport terminal project.

● The start of talks between the two industries, including an invitation to US companies to join the Japanese Federation of Construction Contractors (JFCC) and a personal commitment by the JFCC's chairman to help US firms gain more market share.

● Recent actions by the Japan Fair Trade Commission (JFTC) to pursue bid-rigging cases.

Senator Murkowski, who in December was invited to Japan by Mr Shozo Harada, the Japanese construction minister, last week hosted a meeting in Washington with Mr Hajime Sako, chairman of the JFCC, American industry representatives and US officials.

Mr Mark Chalpin, representing the US International Engineering and Construction Industries Council, said the meeting went "reasonably well" but insisted that Japanese companies still "manipulate the process so US firms can't get too much work".

The Japanese argued that of their estimated $2.6bn share of the US construction market, about one-third included properties purchased by Japanese money and developed in the US and another third included projects for Japanese companies in the US. Mr Sako promised to pursue changes in Japan's anti-monopoly laws.

Murkowski - encouraged with progress after four slow years

This fits in neatly with Mrs Hills' broader Structural Impediments Initiative, which has been focusing on anti-competitive Japanese practices. An interim report outlining what actions Japan will take to rectify the US-Japanese trade imbalance is due out in April, and the "downpayment" Mrs Hills has demanded could include a promise to fortify the JFTC.

A number of deadlines imposed by legislation will also keep the heat on during the next six months.

By the end of April, the US Trade Representative and the Department of Transportation must issue evaluations about access for US contractors to airport construction projects around the world.

A negative finding could shut the Japanese out of US airport projects.

In May, Mrs Hills must decide whether to retaliate under the earlier Section 301 complaint or to take the issue to the General Agreement on Tariffs and Trade, under a law requiring US access to foreign government procurement procedures.

It all comes down to brinkmanship, Senator Murkowski said. "Let's face it, they look at us and they say: 'Are we being consistent or are we going to roll over?'."

He is fully aware of the power of the construction lobby and says: "We're dealing with politicians that operate on the squeaky wheel theory". However, he hopes to counter it with US pressure on the Japanese government and appeals to the Japanese taxpayers that they are getting "ripped off by the process".

The senator saw the construction issue as just "the first wave" and predicted that banking would be the next trade issue to blow up.

"The California scene is 24 per cent controlled by Japanese banks. We don't have one bank in there. They have accumulated all this cash as a consequence of the balance of payments.

They are taking the cash and buying our assets. They're also financing them."

Both sides, he said, were playing under different rules. Both sides had to change.

Poland warned not to limit exports

THE Polish Government has been warned industry will suffer widespread redundancies and even factory closures if it goes ahead with plans to limit exports this year to the Soviet Union, Christopher Bobinski reports from Warsaw.

The warnings came from representatives of over 50 exporters who heard earlier this week that decisions are to be taken soon on withdrawal of export licences for at least some engineering and electronics items in a bid to reduce Poland's trade surplus this year.

Last month, Hungary, which has a mounting surplus in its soft currency trade with Comecon countries, announced it was unilaterally suspending deliveries, pending review of export licences.

But Warsaw wants to limit its surplus with the Soviet Union and stick to an agreement to balance mutual trade in the present five-year plan which ends this year and puts off repayments of Poland's Rbs6bn ($9.73bn) debt until after 1991.

At the same time, this year's economic programme agreed with the International Monetary Fund assumes Poland will run a hard currency balance-of-payments deficit limiting Western debt servicing to a minimum.

Trade protocols for last year set Polish deliveries to the Soviet Union at Rbs7.1bn, and long-term plans foresaw a Rbs200m Polish trade surplus this year. Deliveries over this figure will also put a strain on the budget, which, given the relatively low zloty-rouble exchange rate, is forced to subsidise sales to Comecon countries.

Talks with Mr Konstantin Katuszev, Soviet Trade Minister, on this year's as-yet-unsigned trade protocol showed Moscow is ready to import an extra Rbs1.6bn-worth of engineering goods, while Polish exporters have tentative contracts for a further Rbs1.2bn-worth of deliveries.

Threatened exporters argue that aside from the social costs, imposition of limits on exports will lose Poland important Soviet market sectors as Comecon switches to calculating trade in convertible currencies.

Egypt pipeline transit fees raised by 25%

By Max Rodenbeck in Cairo

RESPONDING to buoyancy on the world oil market, the owners of the Sumed pipeline which traverses Egypt from the Red Sea to the Mediterranean have raised transit fees by a quarter and announced plans to boost capacity by 50 per cent.

Pipeline users paid an average $2 per tonne last year. On January 1, the average cost rose to $2.55.

The Arab Petroleum Pipelines Co, which runs the pipeline, says it is taking an increasing share of Gulf oil exports to Western Europe.

Company officials said Sumed pumped 54m metric tonnes last year. Deliveries via the Suez Canal were only 18m tonnes, while 36m tonnes of Gulf crude reached Europe by way of the Cape.

A discount scheme whereby supertankers unable to transit fully laden will be able to discharge into the pipeline before crossing the canal, is expected to boost demand.

Iran signs $1.2bn refinery contract

Iran has signed a contract with a consortium of Italian and Japanese firms to build a $1.2bn oil refinery at the Gulf port of Bandar Abbas, Oil Minister Gholamreza Aqazadeh said yesterday, Reuter reports from Nicosia.

He said on Tehran Radio the contract with Chiyoda Corp. of Japan and Italy's state-owned Snamprogetti Spa envisaged the building of the refinery in 38 months.

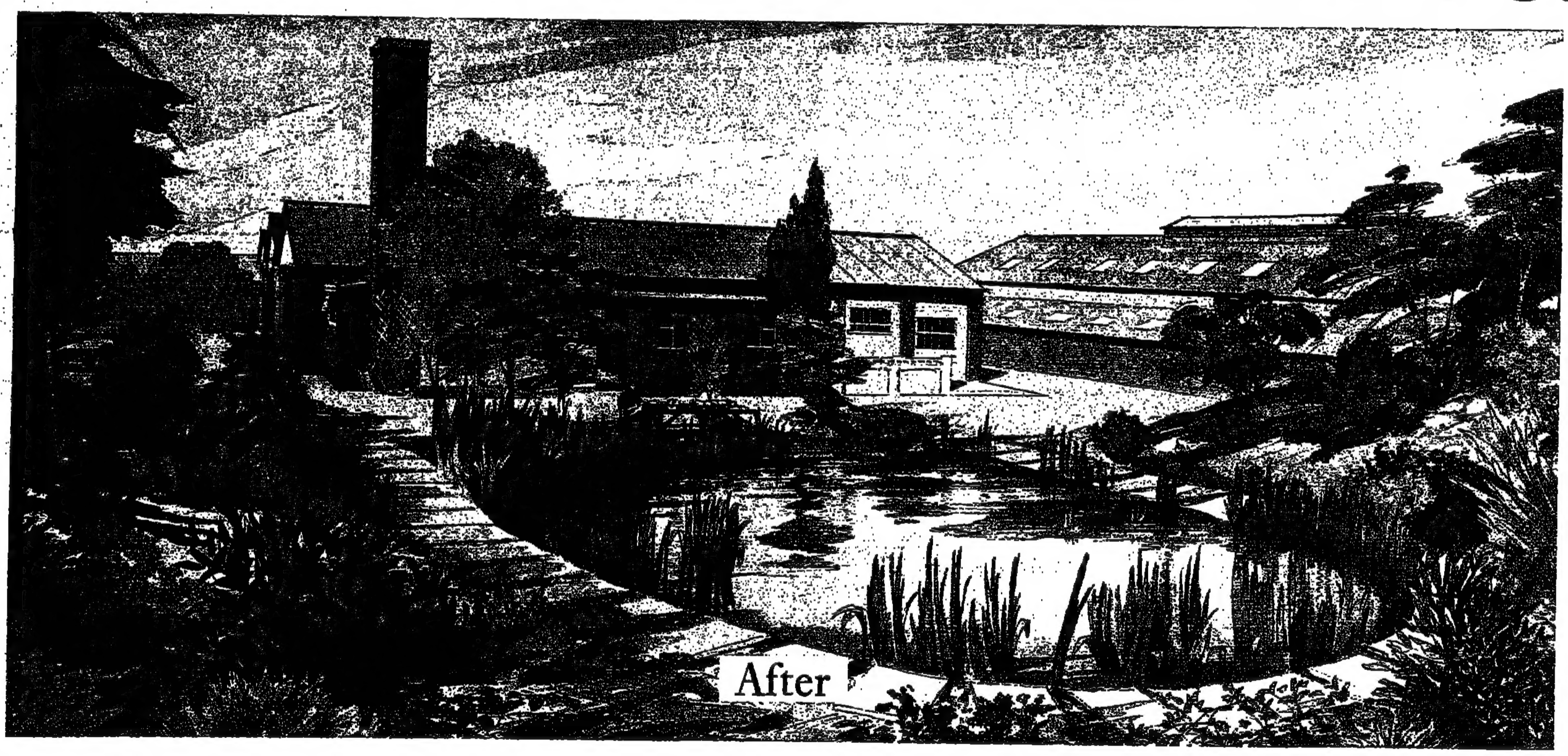
Iranian television said the contract for the refinery, which would process 220,000 barrels per day (bpd) of heavy crude and 12,000 bpd of liquids from the nearby Sarkhoon gas complex, was signed on Monday.

Hospital contract for Turkish group

TURKEY's Pet Holding has been awarded a contract valued at $70m (£43.7m) to build a hospital for the Zibzab steelworks in Novokuznetsky, Soviet Siberia, Jim Bodgener reports from Ankara.

The contract is due for completion in three years after work can begin, probably in May. The Turkish company won the order against Chinese and Yugoslav bidders.

Before



After

Insurers suffer as claims rise after year of disasters

By Patrick Cockburn

UK INSURANCE companies, members of the Institute of London Underwriters, paid out £500m more in claims than they received in premiums in 1989 because of an unprecedented series of serious disasters coinciding with low insurance rates.

Gross claims totalled £2.1bn against £1.6bn in premiums income, the annual ILU meeting was told yesterday.

Mr John Parton, institute chairman, said 1989 had been a year of catastrophes.

Hurricane Hugo was expected to cost insurers $4bn, the San Francisco earthquake almost $1bn, the Exxon Valdez spillage over $500m and the Phillips Petroleum refinery in Texas more than more than $1bn.

These losses came after the $1.5bn cost of the loss of the Piper Alpha platform in the North Sea in 1988.

The institute, which groups 118 companies providing half of all the marine, energy and aviation insurance placed in London, stressed that the figures exaggerated final losses because they did not take into account either the reinsurance protection taken out by insurers or multiple counting of some claims.

This was the first time the institute has published totals for premiums and claims.

The institute was also worried that both merchant vessels and jet aircraft were becoming old and more likely to suffer loss.

Mr Parton said that at the time of Piper Alpha he had expected premium rates to rise, but overcapacity in the market had ensured that underwriters continued to be squeezed between high claims and low premiums.

In aviation insurance he said the rate for aircraft hulls was 10 per cent of the 1986 level and liability rates little more than 20 per cent.

Despite last year's catastrophes the end of year renewal season has seen no end to the depression in premium rates.

Mr Trevor Scutts, past chairman of the Joint Hull Committee, said that the marine market was going to get worse before it got better though premium rates for oil rigs had strengthened.

Clothing company calls in the receiver

By Alice Rawsthorn

THE slump in the clothing industry claimed another casualty yesterday when Paisley Hyer, which employs 2,400 people mainly in the north-east England and the east Midlands, called in the receiver.

Paisley, one of the main manufacturers of knitwear and women's wear for the Marks and Spencer retail group, is the second large UK clothing company to have gone under this week. The news of its receivership came only a day after that of the Response Group, which employs 4,000 people.

The condition of the clothing industry has become increasingly precarious in recent months. Many companies have been struggling against weak demand and poor profitability for over a year because of sluggish consumer spending and intense competition from imports.

Paisley and Response both suffered from the downturn in the industry, but are trading profitably, albeit at a low level. Their chief problem was that they could no longer cope with their high borrowings.

The receiver, Arthur Anderson, hopes to find buyers for the Paisley companies.

Predicting success: Roger Poole hails people power

The ambulance dispute

Protesters attack Clarke's stand

By Ralph Atkins and John Gapper

THOUSANDS of protestors yesterday attended mass rallies at cities throughout Britain, in support of higher pay for ambulance crews. Unions estimated that more than a million of people took part in the protests.

Speakers at the rallies criticised the stand of Mr Kenneth Clarke, Health Secretary, who dismissed the rallies as "pointless" and reiterated the Government's call for ambulance unions to enter negotiations on local flexibility deals allowing higher pay in return for more productivity. He said "publicity stunts" were irrelevant.

The protests, led in London by Mr Roger Poole, the ambulance unions' chief negotiator, attracted thousands of workers at rallies around Britain.

Mr Poole said the demonstrations had been "a massive show of people power." He said that the day of action had shown the Government that it had already lost the dispute.

Organisers said 20,000 people in Liverpool had attended a rally, while 10,000 people joined a rally in Birmingham, and 5,000 joined rallies in Glasgow, Coventry and Leeds.

Groups of workers said to have stopped work included 3,000 civil servants at Companies House in Cardiff, 4,000 workers at two offshore yards in Teesside and miners at five pits in the Durham coalfield.

The Confederation of British Industry said the stoppage was "a limited gesture which does nothing to advance the search for a resolution of the dispute."

CBI warns of recession and rise in unemployment

By Simon Holberton, Economics Staff

THE CONFEDERATION of British Industry, the UK employers organisation, yesterday warned that Britain was on the edge of a recession and that unemployment would rise.

The CBI's warning came with the publication of its quarterly industrial trends survey which showed that business confidence was at its lowest level since October 1980.

The survey further indicated that over the past four months that there had been no growth in manufacturing output. Businessmen were pessimistic about future orders and plan to cut investment spending this year.

The only encouraging aspect of the survey was the sharp rise in optimism about exports. If the optimism is reflected in actual sales this would mean that British companies have responded to the subdued growth outlook for the home market by seeking orders in foreign markets.

The CBI said companies had responded to the current straitened economic conditions by cutting employment and would continue to do so.

Company profits, however, were being squeezed. Growth in the average unit cost of manufacturing was expected to rise in the coming four months at its highest rates since January 1982. A seasonal pick up in factory gate prices was also expected.

Mr David Wigglesworth, chairman of the Confederation's economic situation committee, said the economy was "poised on the edge of a recession". He added: "We just do not know whether it is a slowdown or a recession."

The survey showed that manufacturing companies were planning to cut investment this year. In response to this the CBI was forecasting that growth in manufacturing investment in the first half of this year would be 4 per cent down on the same period in 1989.

Mr Wigglesworth said this was one of the most worrying of the survey's findings and renewed the CBI's call for Mr John Major, the Chancellor, to raise investment allowances to 40 per cent from 25 per cent in his March Budget. This would encourage investment and would not be inflationary, he said.

The Treasury said the low level of optimism was consistent with the economy slowing down.

In the City economists expressed disappointment with the survey's findings on costs and prices and cast doubt over the interpretation of the survey's questions about exports.

Mr Stephen Hannah, economist at NatWest Capital Markets, said the large proportion of companies planning to increase prices in the New Year was disappointing. "It makes us a little bit edgy about inflation," he said.

Mr Bill Martin, economist at UBS Phillips & Drew, said the survey showed there had been some pain experienced but said there was "considerably more to come" when cash flow pressures forced companies to cut stocks. He added there was little correlation between expectations of exports and exports themselves.

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Fujitsu set to raise UK investment

By Alan Cane

INVESTMENT BY Fujitsu, the Japanese electronics group, in its microchip manufacturing plant in north-east England at Newton Aycliffe, Country Durham, is likely to top the £400m originally anticipated, and the plant is expected to produce higher technology chips than it had planned for.

Chronic worldwide overproduction of semiconductor memory chips, which is forcing prices down to levels where significant losses for many semiconductor manufacturers seem inevitable, has prompted Fujitsu to scale down plans to build what would be currently the most technically advanced chips available in favour of a product even more advanced.

It is understood that work on the plant – which had been intended to produce one megabit and four megabit d-Rams (read and write memory chips) – has been delayed for about six months while the company considered its options.

Mr Alan Roberts, chief executive of Sedgefield District Council, in whose area the plant will be built, said yesterday Fujitsu was going ahead with its investment although the project had changed.

He said the transfer of the land to Fujitsu had taken place and the company had submitted planning applications, which were now going through the approvals process.

While the exact type of chip to be manufactured remains a commercial secret, analysts thought the likely outcome was a combination of 16 megabit D-rams – the next generation of memory technology not expected to be in volume production until the mid-1990s – and application-specific integrated circuits (ASICs), custom chips produced in small volumes to fit a particular customer's needs.

The announcement in April last year that Fujitsu had chosen County Durham as the site for its first fully integrated microchip manufacturing facility in the European Community was seen at the time as a considerable coup for the UK.

The plant, which attracted £30m in regional selective assistance, will eventually create some 1,500 jobs.

OBITUARY

Sir Martin Wilkinson

SIR Martin Wilkinson, who did much to shape London's Stock Exchange before the upheavals of Big Bang in 1986, died last week at the age of 78.

Sir Martin was the exchange's chairman from 1965-73, when the foundation for its activities over the next 13 years were laid. He oversaw the merger of the various stock exchanges in the UK and Republic of Ireland, which was completed in 1973 after 10 years of effort, making him the first chairman of the unified market. He was also chairman when the exchange moved to new premises, opened by the Queen Mother in 1972.

His term of office also saw the demise of several anachronistic practices. Women were admitted to membership of the exchange for the first time, and the requirement for members to be British was dropped.

IN BRIEF

Telephone costs ahead of EC rivals

Residential telephone customers in the UK pay more for phone calls than their counterparts in the other three leading Western European economies, according to figures published yesterday by the Office of Telecommunications, the industry watchdog.

Britain's business telephone users also fare worse than those in France and West Germany, but rates are lower than those in Italy, Oftel says.

Oftel calculates the cost of a representative basket of services in each country and compares it with a benchmark of 100 for the UK. The residential prices are: France 76, Italy 97, and West Germany 98. The business figures are France 88, West Germany 96 and Italy 120.

N Ireland split

Significant differences between Northern Ireland's Unionist parties about their campaign against the Anglo-Irish agreement have emerged as British and Irish ministers prepared to meet in London today.

An Ulster opinion poll showed 67 per cent of Ulster Unionists – regarded as the more moderate unionists – favour ending the boycott on dealings with Northern Ireland Government ministers. That compared with only 36 per cent of the Democratic Unionists, led by the Rev Ian Paisley.

Rapid rise in M4

The final money supply figures for 1989, released yesterday by the Bank of England, confirm the broad money measure M4 rose rapidly last year.

The year-on-year increase in M4, which includes bank and building society lending, was 18.1 per cent. The seasonally-adjusted figure for December showed a sharp rise in bank lending to £10.5bn in December, from £4.8bn in November.

Longer banking

Barclays Bank is extending the opening hours of nearly 2,300 of its branches from 3.30pm to 4.30 with full counter service. Mr Geoff Miller, director of UK banking, said the move was intended to improve service and was in response to growing customer demand.

Search for ship

A search was begun yesterday for the crew of The Flag Theofano, a Greek-registered ship feared to have sunk after the bodies of two men were washed ashore on the Sussex coast.

Storm aid to Britain

British victims of last week's storms are to receive £585,000 in emergency aid from the Brussels Commission in the largest national award the Commission has drawn from its disaster budget.

Housing limit raised

The Government has increased the cash limit of the Housing Corporation, which funds and supervises housing associations, by £120m in this financial year with a corresponding reduction in next year's budget.

US lecturer detained

An American lecturer, aged 40, was being questioned by Irish police yesterday about the discovery of an incendiary device in his luggage at Dublin airport. The Californian, travelling with his wife and child, was stopped when a police scanner detected the device.

Britain reduces spending on EC agricultural policy

By Bridget Bloom

BRITAIN has cut the amount its spends on the European Community's common agricultural policy (CAP) over the past three years and costs are expected to continue to decrease in real terms for the next three years, according to the Government's policy document on public expenditure released yesterday.

The Ministry of Agriculture, Fisheries and Food will also spend less in real terms on so-called structural measures which include environmentally friendly farming schemes and control of pollution by farmers.

Total spending on CAP-supported commodities declined from £1.39bn in 1987-8 to an estimated £988m in the current year.

Savings of some £150m for 1990-91 and £160m in 1991-2 are projected, giving total spending of £1.29m and £1.47m on the CAP in those years.

The principal reason for the saving, according to MAFF, is that the reforms of the CAP, introduced in 1988, are beginning to bite, with a 2.8 per cent real reduction in average support prices across the European Community.

Lower cereal harvests both in the EC and in north America have also helped to cut spending.

Spending on the so-called structural measures, which range from capital grants for farm improvement to environmental and tree planting schemes, are to increase in cash terms from £217m in the current year to £228m in 1992-3.

This represents, however, a decrease in real terms from £192m to £183m. The main reason appears to be that the Government's decision, announced a year ago, to shift the emphasis from capital grants which raise production to those which control pollution, can now be seen as masking a decline in capital grants.

However, one set of grants which are set to increase substantially are those for land taken out of production. In 1990-91 these set-aside schemes, applied to about 110,000 hectares or 2.3 per cent of the eligible arable area in the UK, will cost £22m, rising to £33m in 1991-2 and £44m in the following year. The Government claims this cost is likely "to be more than outweighed by savings to the Exchequer from lower production".

Rover deal with unions at Cowley

By Michael Smith, Labour Correspondent

ROVER GROUP, the UK vehicles manufacturer, has agreed a deal with unions at its Cowley plant on the potential use of binding arbitration as a means of solving locally-based industrial relations disputes.

Union leaders were stressing last night that the agreement does not rule out the possibility of strikes. It does not apply to pay issues, which are determined nationally, and arbitration is only brought into play if both sides agree to it.

None the less the agreement adopts elements of the pendulum arbitration method of resolving disputes. If the two sides do agree to arbitration they would submit their final positions in a dispute to an independent panel which would then choose one or the other.

Rover is the second UK vehicles company in two months to agree agree a deal with unions which is aimed at avoiding strikes.

In December, Vauxhall – a subsidiary of General Motors – negotiated a continuity of supply agreement with its Ellesmere Port, Merseyside, workforce. Like the Rover deal, this introduced the possibility of arbitration, if both sides were willing.

World Student Games reveal funding gap

By Ian Hamilton Fazey, Northern Correspondent

UNIVERSIADE GB, the company set up to run the World Student Games in Sheffield, northern England, next year has debts of £2.5m and has still to raise the bulk of the £27m it said yesterday would be the new cost of running the event.

It is, however, still solvent and is relying on a local drive for sponsors to bridge the gap until large international sponsorship can be secured.

Organisers are still confident of achieving this in spite of the further disclosure yesterday that neither the BBC nor ITV networks want to run the television coverage.

TV coverage in prime time is essential to achieving a cascade of sponsorship for the games, the biggest outside the Olympics, which are scheduled to see teams from 120 countries competing in 11 sports.

Organisers yesterday confirmed building costs of stadiums and facilities have overshot to £140m from £111m - the figure still being quoted by the games' organisers only last September.

This money was borrowed on the open market by a sister company when interest rates were still at 10 per cent, but will be repayable by Sheffield's poll tax payers over the next 22 years, adding at least £20 year to poll tax bills.

Yesterday's new figures show that Universiade GB spent £3.9m in the 27 months to the end of last year, against revenue from sponsors of only £700,000.

They come from an audit and review by two firms of accountants, Peat Marwick McLintock and Pannell Kerr Foster, which was presented to Universiade's board of council and business leaders on Monday.

Money spent includes a previously unknown final figure of £850,000 to win the bid. Of the rest, £1m has gone on marketing, £750,000 on salaries, £200,000 on interest charges and the rest on general running costs.

The company reached its city council-guaranteed overdraft limit of £1m just before Christmas.

This precipitated a cash crisis when the board discovered that £3m promised in monthly instalments by the Sports Council was subject to Treasury-imposed conditions that stopped its use to guarantee further borrowing.

Universiade sacked Mr Peter Burns, its chief executive in an acrimonious row, while Mr Danny Simpson, the finance director, resigned two weeks ago.

Mr Norman Adsetts, chairman of Sheffield Insulations, who was described yesterday as Universiade's new "acting chief executive," said that Mr Burns' departure was the result of the "irretrievable breakdown of communications with the rest of the board."

Mr Burns remains in dispute over unpaid contract fees and said yesterday he would be pressing for £50,000 owed him.

He said the audit and review showed that he could not have been in breach of contract himself - the reason for which he was told he was being sacked without notice or compensation.

Mr Adsetts also revealed that the company's fifth business plan had to take account of two large previously unbudgetted items.

About £2m will have to spent temporarily refurbishing a disused block of council flats as part of the village for the games' 6,000 competitors and officials - the Government had been expected to pay for this but has refused - while up to another £2m will be needed to provide for television coverage.

The latter stems from failure to sell the games to either the BBC or ITV companies as host broadcasters.

Universiade GB will have to arrange its own television coverage using independent contractors. A senior manager is already in Auckland, half way through a trip to Japan and the US, discussing the sale of pictures to television companies.

Campaign urges businesses to prepare for single market

By Anthony McDermott

THE DEPARTMENT of Trade and Industry (DTI) launches a £2m advertising campaign tomorrow aimed at pushing half a million small and medium-sized businesses in Britain into making overdue preparations to meet European competition when the EC becomes a single market in 1992.

This forms the second phase of the DTI's single market campaign "Europe Open for Business", which began in March 1988. It has so far cost £13.6m, of which £9m was spent on television advertising.

Yesterday, Lord Trefgarne, the UK Trade Minister, said there was ample evidence that, as a result of the initial campaign, virtually every business in Britain was aware of the single market. "Some 50 per cent are also taking action – but I am concerned about the many firms, particularly the smaller ones, who still have to act, saying that the single market is of little or no relevance," he said.

While the DTI is leading this campaign to draw attention to its services, which include pamphlets, brochures, videos and a hot line, it will depend heavily on chambers of commerce, trade associations and professional advisers in banking, law and accountancy to provide companies with both information and advice.

Earlier, 600 businesses and organisations were contacted by the DTI. From those employing fewer than 500 people, only 30 per cent had responded, prompting the DTI into this second phase.

The new campaign is to last until the summer, when, on the basis of returns, a decision on whether to continue the campaign will be taken.

King criticises US civil aviation policy

By Paul Abrahams

Lord King: call for open skies

LORD King, chairman of British Airways, the UK flag carrier, yesterday criticised aspects of US civil aviation policy which prevents non-US airlines operating American domestic routes or owning US carriers.

During a speech to the American Chamber of Commerce in London he repeated complaints he made last November about the restrictions on free trade which the US imposes on international airlines.

Referring to the virtues of free competition he said there could be quite a gap in Washington DC between what is preached and what is practised. The distinction between foreign and domestic carriers was in many areas an anachronism, said Lord King.

He pointed out that 36 per cent of BA's shares are owned by non-UK nationals and that 26 per cent are in US hands. "We need to bury bilateralism and usher in a new era of free trade in aviation."

When BA sought last year to participate in the buy-out of United Airlines, the US carrier owned by UAL, it was advised that the US Secretary of State for Transportation was unlikely to permit an airline that is one quarter American to own more than 15 per cent of a US airline.

He warned that until the nationality rule is relaxed, BA would object to a US company buying a British airline or any carrier in the European Community.

By January, 1993, airlines in the EC should be free to carry cargo and passengers between one city and another anywhere in the Community.

Heron expands US property portfolio

By Paul Cheeseright, Property Correspondent

HERON Financial Corporation, which handles the US property investments of Heron International, the UK-based multinational, has joined up with institutional investors to buy three portfolios of residential property in Texas and New Mexico worth about $100m (£59.6m).

Heron International is a conglomerate with interests stretching from filling stations through motor distribution to financial services and property. One of the largest private groups in Europe, it is controlled by Mr Gerald Ronson.

The latest purchase has been timed to take advantage of what is expected to be a rise in property markets which, in recent years, have seen values collapse. The properties are 17 buildings containing 4,100 high-grade apartments in Austin, Dallas, Houston, San Antonio and Santa Fe.

Mr Alan Goldman, a director of Heron International, said the properties showed yields which covered interest charges. It would cost twice as much to construct them now as it did to buy them, he added.

Heron is seeking to expand its US property portfolio, currently valued at about $500m, and is concentrating its search on apartment buildings. In the US, it owns 31 apartment buildings, two hotels and over 3m square feet of office and retail space.

The group has been much more expansive geographically than most British property companies. It has investments across continental Europe as well as a development programme within the UK.

Lancia plans increase in UK motor sales

By John Griffiths

LANCIA, the Italian car manufacturer, hopes to increase its UK sales by nearly 50 per cent this year following the launch on March 1 of its medium-sized saloon, the Dedra.

The Dedra, which Fiat's executive cars subsidiary sees as a rival for the BMW 3 Series, Audi 80, and Volvo 440 amongst other cars, has been on sale in most continental markets since last year.

Fiat Auto (UK), the Italian vehicle maker's wholly owned subsidiary, expects to sell 2,000 Dedras, plus 1,000 Themas, its larger executive model; 1,000 Y10 small hatchbacks and 700-800 Delta hatchbacks. Last year Lancia's total UK sales were 3,201 – a drop of nearly 22 per cent compared with 1988.

The poor sales performance was a key factor which led the Italian car maker eight months ago to reassume control of the Lancia franchise in the UK from Lancar, a Heron Corporation subsidiary which had held it for six years.

In the longer term, Lancia intends to bring its UK market share, currently 0.14 per cent, closer to its 2.2 per cent average for western Europe as a whole – although this figure includes a 9.9 per cent share in Italy.

Fiat spent £200m on developing the Dedra, a larger and more powerful replacement for its Prisma saloon. It built 47,000 Dedras last year, and in a full year expects to make between 90,000 and 100,000.

The new car was instrumental last year in lifting Lancia's total production to 312,09; a 15 per cent increase on 1988 and the first time Lancia's output had exceeded 300,000.

FT LAW REPORTS

Father must pay tax on daughter's school fees

GLYNN v
INLAND REVENUE
COMMISSIONER

Privy Council (Lord Keith of Kinkel, Lord Templeman, Lord Griffiths, Lord Ackner and Lord Lowry): January 22 1990

SCHOOL FEES paid by a company under its employee's contract of employment, are a "perquisite" derived from his employment, and are therefore assessable to salaries tax under Hong Kong law.

The Privy Council so held when dismissing an appeal by Mr David Hardy Glynn from a decision of the Hong Kong Court of Appeal that he was liable to pay salaries tax on school fees paid by his employer, Intergroup Associates Ltd.

LORD TEMPLEMAN said that by an agreement dated April 1 1982 Mr Glynn agreed to work for Intergroup as an executive director for HK$5,000 a month and on terms that the company would pay his children's education costs.

It was agreed that primary liability for payment of his daughter's fees to Roedean School should be borne by the company. Mr Glynn became liable to pay only if the company defaulted.

The Board of Review held that the school fees constituted income from Mr Glynn's employment assessable to Hong Kong salaries tax.

By section 8(1) of the Inland Revenue Ordinance as amended, salaries tax was charged on Hong Kong income from any office or employment. Section 9 provided that income from any office or employment included "(a) any wages, salary . . . perquisite . . . whether derived from the employer or others . . ."

The Commissioner contended that each sum paid by the company to Roedean School was a perquisite liable to salaries tax. Mr Glynn contended that a perquisite must be a sum of money paid to an employee if it was to be taxed.

Mr Glynn pointed to Section 11B of the Ordinance which provided that assessable income was the aggregate amount of income "accruing" to the employee from all sources.

Section 11D(b) provided that income accrued to a person when he "becomes entitled to claim payment thereof."

Mr Glynn, it was said, never became entitled to claim payment of the school fees paid by the company to Roedean.

Alternatively, it was submitted, Mr Glynn was not taxable in respect of the school fees because income only included the value of a perquisite. Since the right to require payment of school fees could not be sold, that right was a perquisite which had no calculable value in money terms and therefore could not be taxed.

The principles of the Inland Revenue Ordinance were based on the provisions of UK Income Tax Acts with modification to meet the requirements of the the Hong Kong economy and establishment. Taxation of a perquisite involved the same problems in Hong Kong as in the UK. Consequently UK legislation and decisions would provide some assistance in construing the Ordinance.

In *Tennant v Smith [1892] AC 150* the Revenue sought to tax an employee on the value of free accommodation. The House of Lords held tax was not payable. In *Heaton v Bell [1970] AC 728* Lord Diplock summarised the effect of the decision. He said that *Tennant v Smith* "placed a judicial gloss on the word 'perquisite' by confining it to actual money payments and to benefits in kind . . ."

Although a perquisite must mean the payment of money, common sense required that a perquisite must also include money which could be obtained from property which was capable of being converted into money.

In *Hartland v Diggines [1926] AC 289* a shipping company voluntarily paid tax on employees' salaries. It was held that that payment was part of the employee's profits. Viscount Cave, Lord Chancellor, said "the appellant did not receive cash in his hands, but he received money's worth . . . that being so . . . the payment was in fact part of his profits . . . properly assessed to tax."

The result of the authorities was that a perquisite included money paid to the taxpayer and money expended in discharge of a debt of the taxpayer.

The amount which the employer agreed to pay might fluctuate. If the annual school fees were increased the benefit to Mr Glynn would increase correspondingly, but the amount of the payment would be ascertainable and taxable.

If the burden became too onerous for the company because the number and expense of Mr Glynn's family, no doubt the company would seek revision of the contract or terminate it.

An employer might provide some advantages for an employee which did not involve expenditure of money for the employee's benefit, or which involved expenditure which could not be attributed wholly or proportionately to one employee.

For example, if an employer contracted to provide a nursery school for employees' children and to allow each employee to use its facilities, no identifiable sum was expended for the benefit of any particular employee.

Money might also be expended indirectly for the benefit of an employee without being taxable. For example, if a contract of service did not provide for medical expenses the employer might voluntarily pay the expenses of transporting and treating an employee's child.

For present purposes it sufficed to say that an identifiable sum of money required to be expended by an employer, pursuant to a contract of service for the benefit of its employee, was money paid at the request of the employee and was either part of his salary or was a monetary perquisite taxable as such according to UK law and authorities.

Salaries and perquisites must have the same meaning in Hong Kong tax law, which was based on UK law, provided that Hong Kong legislation did not attach different meanings to those expressions.

There was nothing in section 9 to suggest that "salary" and "perquisites" did not include sums contracted to be paid by the employer for the benefit of the employee.

Mr Pinson for Mr Glynn submitted that section 11D(b) showed that income was only taxable if payment was to be made to the taxpayer.

But section 11D provided that income accrued to a person when he became "entitled to claim payment thereof." Mr Glynn was at all times entitled to claim payment of school fees by the company pursuant to his contract of service. If Hong Kong legislation intended that only sums paid in cash to a taxpayer should be taxable the Ordinance would require different language to achieve such an absurd result.

In *Armstrong [1937] AC 885.896* Lord Maugham said it was well-settled that in interpreting a dominion or colonial taxing statute containing no reference to its origin or history, it was not permissible to consider the evolution or history of any British statute from which terms or sections might have been taken, "or to rely on decisions as to the true interpretation in the courts of Great Britain of those terms or sections."

That statement did not however, prevent application of the logical and sensible principle that expressions employed in British legislation and authorities on the meaning of such expressions were of assistance in construing identical expressions in Hong Kong legislation. Hong Kong legislation might of course, provide to the contrary, but in the present case perquisites not expressly exempted from salaries tax under the Ordinance were no different from perquisites not exempted from tax under the Income Tax Act. The appeal was dismissed.

For Mr Glynn: Barry Pinson QC (Charles Russell Williams & James).
For the Revenue: Andrew Park QC and Bernard Whaley (MacFarlanes).

Rachel Davies
Barrister

MANAGEMENT

On the second day of our report on British Aerospace, **Paul Betts** and **David White** assess the group's civil and military operations

An outburst of enthusiasm

The slightest mention of British Aerospace produces immediate reactions of agony and ecstasy in Toulouse these days.

The 13-week old strike at BAe's plant at Chester, which manufactures the wings for all the family of Airbus airliners, is now threatening to bring final assembly of Airbus aircraft to a complete halt in Toulouse, the headquarters in south west France of the four nation European aircraft consortium.

With its order books bulging and production fully stretched, the dispute could not have come at a worse moment and BAe's Airbus partners have not disguised their frustration at seeing the growing success of the Airbus programme jeopardised by the British dispute over shorter working hours.

At the same time, however, Toulouse has been encouraged by BAe's growing enthusiasm and commitment to the Airbus programme in which it has a 20 per cent stake. "It's a 180 degree turnround when you think of all the worries and doubts they were still expressing about Airbus barely six months ago," remarks a Toulouse official.

But in the last few months, the top brass at BAe have gone out of their way to stress the importance they now attach to Airbus and European co-operation in the commercial aircraft business.

There are good reasons for BAe's sudden outburst of enthusiasm for Airbus. Although it has a number of other commercial aircraft programmes of its own, BAe's fortunes in the civil aircraft business are now inextricably linked to those of Airbus. "Airbus is a fundamentally important part of BAe and we are wedded to making Airbus successful," declares Sid Gillibrand, the head of BAe's aerospace and defence activities.

Indeed, Airbus is not only likely to weigh heavily on BAe's commercial aircraft operations but also on the fortunes of the group as a whole. The long-term prospects of Airbus are increasingly encouraging; the consortium's turnover is forecast to rise from $5bn last year to around $15bn by 1995. Sustained production rates and a bulging order book for its family of airliners is likely to see Airbus making its first profits in the mid-1990s.

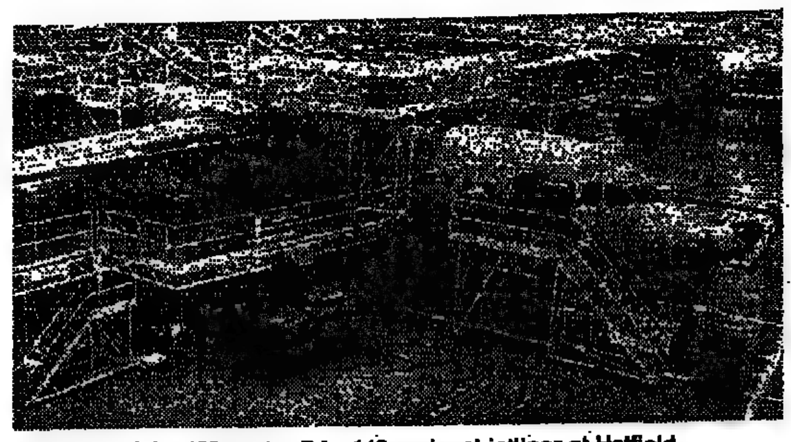
BAe is anxious to see the sort of change at Airbus which would enable the consortium to translate commercial into financial success. "We would like to see it having the shape of an industrial company producing a wide range of aircraft," explains Gillibrand. The way forward, he says, is to turn the consortium into a more profit-oriented commercially minded enterprise.

BAe believes the arrival of the West German Daimler-Benz group in the programme will speed up the process of change at Airbus because BAe and Daimler-Benz share the same profit-oriented business approach. Evidence of this, says Maurice Dixson, the managing director of BAe's commercial aircraft subsidiary, includes the decision to make the four European partners compete for work on the new Airbus A-321 twin-engine aircraft, as well as funding the programme from commercial borrowings rather than relying on government financial support.

BAe's activities in Airbus have been grouped in a separate subsidiary within the group's commercial aircraft company. This is part of the radical reorganisation of BAe's management structure carried out two years ago in order to decentralise authority and to create a series of separate profit and loss centres. Focused on their specific markets, these were intended to respond to a tougher international competitive environment both for commercial and military aircraft.

"In the case of commercial aircraft, there were in fact three separate markets out there, so we created three separate divisions addressing each one of these markets," explains Gillibrand. The reorganisation helped provide BAe with what Dixson calls "clear profit and loss accountability to each of the divisions."

The management reorganisation was accompanied by major restructuring. "We had to hack away at our cost base. This involved great effort and great pain but these efforts are now paying off," says Gillibrand. After more than £400m in provisions over the past five years, BAe's commercial aircraft business has now bounced into profit, although the improving trend could be affected in the short term by the recent labour dispute.



Assembly of the 100-seater BAe 146 regional jetliner at Hatfield

However, in the longer term, BAe now sees its commercial aircraft activities as a growth sector for the company, in contrast with the more uncertain future of its traditional defence operations. Indeed, in its first full year of operation, the new commercial aircraft company achieved a turnover of £1.5bn last year and chalked up £1.1bn of new aircraft orders – in addition to the record order intake of the Airbus consortium for 421 airliners last year valued at $34bn.

Alongside the Airbus division, BAe has set up a corporate jet division responsible for its profitable BAe 125 executive jet and an airline division which groups together its operations in the cut-throat regional airline market. This division faces a number of challenges, including improving the market penetration of its Advanced Turbo-Prop (ATP) aircraft and of the 100 seat BAe 146 regional jetliner.

Sales of the 64 seat ATP have so far been disappointing. Dixson believes the aircraft has potential but concedes that it "does have to prove *its position* in the market place." By contrast, the group's other turbo-prop programme, involving the 19 seat Jetstream 31 and the recently launched Jetstream 41 stretched version of the aircraft, is turning into a success story. Dixson says the Jetstream 31 has repaid its launch cost and has now reached the breakeven point.

The company is also optimistic about the BAe 146, which is assembled at two plants – Hatfield and Manchester. The main problem of the BAe 146 is that it has four engines at a time when an increasing number of customers are looking for twin engine regional jetliners. However, the BAe 146 appears to have developed a growing number of niche markets and Dixson says the programme is "making good operating profits".

At the end of the day, however, BAe's commercial aircraft operations are bound to be increasingly driven by the Airbus programme. Gillibrand believes that new alliances will also develop around the company's regional airline and corporate aircraft businesses. "The future lies in co-operation," he says.

PB

Collaboration — a defence against cost-cutting

In the hangar at Warton, Lancashire, two dozen Tornado combat aircraft await completion, as innocent as chicks in their matt yellow undercoats. The discreet tail-markings on this cool half-billion pounds' worth of hardware show which machines are earmarked for the RAF and which for Saudi Arabia.

Warton and the Tornado are the core of British Aerospace's military business. The youngest of its military aircraft centres, Warton has set the pace for the commercially-oriented style that the company has tried to instil throughout its defence activities.

With 60,000 employees and more than £3bn annual sales in defence, BAe has the UK's biggest arms empire. Ranging from bombers to bullets, the amalgam of interests would be a challenge to manage, even in a stable environment: an aircraft company put together from different traditions and now heavily geared to international collaboration; a guided weapons company that has been heavily pruned and is merging with the corresponding parts of France's Thomson group; and the government's former munitions factories, the reorganisation of which has landed BAe in fervent controversy and allegations of asset-stripping.

Over the past few years, BAe has had to adapt to tougher procurement practices by the Ministry of Defence, and now faces the uncertainties about future defence spending cuts. BAe is too wide-ranging to be unaffected, although it counts on continuing growth in defensive weapons and high-technology areas.

Dick Evans, BAe's new chief executive, takes a down-to-earth attitude: "Nobody knows what is going to happen ... You've got to deal with what you have at the moment in your hand."

With his promotion, the administration structure has changed for the second time in just over a year. The first change stemmed from recommendations by McKinsey, the consultants, to create autonomous divisional profit-centres. The defence companies were put under one head (Evans) to avoid conflicts of interest in the development of new products. He has now put them together with commercial aircraft, reconstituting a single aerospace company – a move clearly designed to ensure readiness for strategic moves ahead in European aerospace.

Evans is a standard-bearer of the "Warton culture." He joined the predecessor company, British Aircraft Corporation, there over 20 years ago. The other main military aircraft centres, the former Hawker site at Kingston-upon-Thames, where the Harrier is now made, and the plant of the former Blackburn company at Brough, North Humberside, go back to the origins of military flight. Warton developed after World War II and has had a series of successes: the Canberra, the Lightning, and the Tornado.

What is it about Warton? It has, explains John Weston, new managing director of British Aerospace (Military Aircraft), "a sort of Northern brashness about it," an emphasis on commercial and management disciplines, and a record of engineering excellence.

Weston himself, at 38, is an example of the BAe style of manager, with a life commitment to his side of the business. He joined BAC as an undergraduate apprentice and has left the fold only for secondments to the headquarters of the three-nation Tornado and to the Ministry of Defence's export department.

John Weston: commitment to his side of the business

He sees the company's experience in collaboration and its prime place in UK arms exports as key to its riding out cost-cutting budgets.

Defence is already a declining part of BAe's overall business. Last year, including defence-related parts of Rover and its construction business, its share dropped from more than 50 per cent to barely 40 per cent of group sales. This partly reflected growth in commercial aircraft and cars, but also a slowdown in the weapons business.

"The pure hardware side is progressively going to become less important," Evans admits. But "the real money" earner is support and updating of weapon platforms. "The numbers of platforms inevitably become fewer, but the actual capital investment within the platforms continues to multiply. We're in the business of leading the reinvestment

In deals like the UK's £15bn arms package for Saudi Arabia, BAe has built up for itself a role as project manager. In Saudi Arabia it already has 3,500 people, mainly ex-service, and as part of its economic offset programme is becoming involved in industrial ventures as far removed from military airframes as plastic toilet seats.

In these deals, it is able to exploit the breadth of its defence operations, which provide contacts covering all armed services. A joint Defence Marketing Organisation embraces aircraft and guided weapons.

Quite how the new BAe-Thomson missile group, Eurodynamics, will fit in is still unclear, however. The two partners are setting up a joint non-trading management company and have given it a year to form a fully-fledged joint venture with expected annual sales of £1.4bn. The approach breaks fresh ground for the European defence business, and for BAe, not usually an enthusiast about ventures over which it does not have overall control.

The BAe part, BAe (Dynamics), has already been through a major rationalisation. A year ago it had 16,000 employees at nine sites. It now has 12,000 at six sites. There are expected to be fewer weapons projects in future, but the pickings for the winners will be bigger. The rationale behind the merger, which has sprung from two years of contacts between the partners, is to provide the resources needed to ensure a place as prime contractor for new programmes, and to maintain a hold on key areas of technology.

However, growth prospects for BAe's weapons activities are in some question. One of Dynamics' biggest projects, Trigat, a family of anti-tank missiles being developed jointly with the French and West Germans, is opposed by some top British Army officers. Cancellation would be a considerable blow.

Royal Ordnance is also vulnerable to disarmament. Put together from 13 government factories and two research establishments, deprived of its flagship product (tanks, which were transferred to Vickers), it is still being weaned away from its former monopoly. When BAe bought it for £190m in 1987, it had no sales structure. It simply made things to the MoD's specifications.

Reorganised by BAe into four core businesses, it has a five-year transitional arrangement up to 1993 giving it an ensured 80 per cent of the MoD's direct purchases of specified explosives, ammunition and propellants, but with prices steadily being reduced.

It has still to prove it can be competitive, even after closures affecting 3,500 jobs which have plunged the company into a political row about profitable land sales.

In aircraft, the main question hangs over the European Fighter Aircraft, five of which are coming together in jigs at Warton. Despite rumblings of possible West German withdrawal, Weston believes cancellation is "highly unlikely."

The EFA is vital for the military aircraft division in the long-term, but the Tornado and new versions of the Hawk trainer/fighter make up the immediate business, at least for the next five years. And then there is in-life support; the last Tornado, for instance, will be in service for 20 or 30 years.

Military aircraft manufacture is expanding more slowly than the business generated by it, which includes infrastructure, support and training. Last year 30 per cent of the division's business "had nothing to do with the design and manufacture of aircraft," and the proportion is growing.

DW

Two further articles will be published on this page on Friday.

ARTS


'Neighbours' and 'Home and Away:' Viveen Gray as Mrs Mangel and Sharyn Hodgson as Carly

TELEVISION

Soaped up from Down Under

Hard-hearted Morag will relent and acknowledge Bobby as her daughter. Even though Harold and Des will resume their partnership and go ahead with the restoration of the coffee bar, they will have another big row; this time about employing Joe Mangel. Nicholas is clearly about to get very heavy (or very sly, or both) with the Fletchers now that they have decided not to sell the caravan park, and this will lead to an even bigger quarrel between Nicholas and Stacey. The quantities of coffee and lager drunk during 1990 will be enough to float the Australian navy.

Those are some of my predictions for *Neighbours* and *Home And Away*, the two Australian soap operas which are now shown every weekday in Britain, the first on BBC1 and the second on ITV. *Neighbours* was launched on Channel 7 in Australia in 1985, and first shown in Britain in October 1986. One day in 1987, when Michael Grade was still the BBC's director of programmes, his daughter complained about the difficulty she and her friends had in taping either the lunchtime origination of *Neighbours* or the breakfast time repeat on the following morning in order to watch after school each evening.

Grade (whose flair for scheduling has always seemed to come more from the seat of the pants than from pie charts or computers) decided to move the daily repeat from breakfast time to teatime, and thus gave birth to a monster. The Top 50 BARB list for November 1989 (actually the five weeks ending 3 December) shows *Neighbours* occupying 25 slots. And in each of the four weeks running up to Christmas, *Neighbours* made a clean sweep of the first five places in the BBC Top 10, with aggregate audiences – origination added to repeat – averaging around 18.5m. The only programme on any channel scoring consistently higher ratings was ITV's *Coronation Street*.

In Australia Channel 7 dropped *Neighbours* after only six months and was then obliged to watch it grow into a huge success on the rival Channel 10. So in 1988 Channel 7 launched another soap opera called *Home And Away* which, in some cases, when transmitted directly against *Neighbours*, won the bigger audience. ITV bought *Home And Away* to Britain in February 1989 and today it too is given a lunchtime origination (12.30) and a teatime repeat (6.00pm) which, not by chance, allows soap addicts to watch *Neighbours* on BBC1 and then switch straight over to *Home And Away*.

The most useful aid to watching these soaps is a teenage daughter. Holly Dunkley watches both with a dedication which makes her study of History and Art History A-levels look casual, and for the last three weeks she has taped both series for me. This is much the most efficient way of watching them. Using the Fast Forward button to zap out opening titles, closing credits, commercials, and the overlap at the start of each episode, you find that each programme is reduced to 20 minutes, and a week's supply of both series lasts not five hours but three hours twenty minutes.

And, for FT readers who are working all day, lack teenage daughters, and have never seen a single episode, what is it that makes these series so popular? There is not, of course, a simple single answer. They are not at all like the glitzy American melodramas *Dallas* and *Dynasty*, but much more like the English soap opera *Crossroads*. This is hardly surprising since Reg Watson who launched *Crossroads* and produced it for 10 years is an Australian who returned to his homeland in 1975 and became head of drama at the Grundy Organisation: producers of *Neighbours*.

Like *Crossroads* the Australian soaps rarely move their characters outdoors. Once in a while *Home And Away* has a pretty beach scene with lots of surf in the background, and we have recently seen Mrs Mangel in the park. But the overwhelming bulk of the time is spent in a standing studio set, on a 2-shot or a 3-shot. In addition to being attracted by the big ratings, channel controllers must be seduced by the fact that these series are – presumably – wonderfully cheap.

Perhaps the most noticeable similarity between *Crossroads* and the Australian soaps is the archness of the dialogue: much of it sounds as though it was invented by writers who have never heard real people talking, but have been raised on an exclusive diet of women's magazine fiction. Characters use phrases such as "delicious aroma," "suffice it to say" and "here am I, a mother spurned;" and the *actors are required to deliver* without wincing sentences such as "There's a ruthless business brain under that pleasant exterior" or "I've made a resolution: not to let stubborn pride keep me from someone I care about" and even "I never did see why I should resort to needless euphemising."

Much of the time events are mundane to the point of tedium. Dramatic moments during the *last few weeks* on Ramsay Street, home of the *Neighbours*, have included Harold (pompous, prissy Harold, Scoutmaster, stalwart of the church, and proud owner of a new exercise bicycle which I predict may soon give him a minor heart attack) complaining about the noise from a teenage party; and the sponge cake contest being won by neither Madge nor Mrs Mangel, but by young Sharon.

It is not true, however, as commentators have frequently asserted, that "nothing ever happens" in Ramsay Street or Summer Bay, the seaside setting for *Home And Away*. True, you do not get regular murders or the return from the dead which we now expect in *Dallas*, but you do get a mugging (Beverly has just been mugged in *Neighbours* and miscarried) or a dramatic discovery concerning illegitimacy (Morag turns out to be Bobby's mother) as well as such continuing dramatic events as alcoholic Carly going through cold turkey.

It is the confident handling by the fictional characters of moderately dramatic events such as these, I suspect, which may give the clue to the popularity of these series – especially among teenagers. Most people who have lived in a family would acknowledge that communication, sympathy, understanding, quiet analytical discussion and harmony between the generations were notable for their rarity. In the Australian soaps life is rather different. When Tom Fletcher is offered $350,000 for the caravan site he calls a family conference and everyone – down to the smallest child – sits round the table and has a vote. Just like an Enid Blyton story.

And although the characters do fall out and argue, even screech at each other quite like real people, they then, more often than not, talk the problem through and reach some happy solution. The most striking way of all in which these dramas differ from real life is that it seems to be the teenagers who are the diplomats, the peacemakers, and the solution finders. When Harold and Des row about the coffee bar it is young Mike who keeps a level head and recommends compromise. Although the idea later misfires, Scott kindly *ghost-writes a love letter* to Bronwen for Henry. ("No probs!")

When you remember that for these teenagers the sun always shines; long, fair, permed hair is the norm (for boys, anyway); there is plenty of private space for everybody; and they are able to talk about sex like a bunch of worldly-wise agony aunts, you begin to realise that what we have here is a fantasy which *suits teenage girls (and many boys, no* doubt) down to the ground: a cross between *Valley Of The Dolls* and *Noddy In Toyland*. The emotional excitement of the former and the cosiness and security of the latter make a highly successful combination.

If you are 15, chronically short of pocket money, fed up with English rain, furious at your Draconian parents who won't even *let you stay out at the disco until 1.30*, baffled by the very title of the essay you are supposed to write, and anxious to succeed with boys but appalled by their macho cliquishness, then the Australian soaps must look a little bit like Nirvana. In Summer Bay and Ramsay Street the 18-year-old boys treat eight year old girls with sweetness and charm, and are tremendously approachable generally. The girls deal effortlessly with their homework while carrying on grown-up love affairs, and the adults seem to look to the teenagers to hold together the fabric of society.

With those sorts of attractions on offer, who cares that the characters are two dimensional, that they are either priggish and silly (Mrs Mangel) or brittle and ambitious (Stacey) or funny and loveable (Henry) but never ambivalent and contradictory and complicated like real people? Real life's real enough, isn't it?

Christopher Dunkley

Calling the tune on the South Bank

Forty years ago, as the Royal Festival Hall on London's South Bank neared completion, it was suggested that the London Philharmonic Orchestra should become the orchestra in residence. The plan floundered.

Yesterday an advisory panel chaired by Sir John Tooley, former supremo at the Royal Opera House, recommended to the South Bank Board that the LPO should become the resident orchestra of the Festival Hall. There is no guarantee that history will not repeat itself.

The regime that inherited the South Bank after the disappearance of its previous landlord, the Greater London Council, has proved fruitful with ideas – the best being that the archaic concrete mass be hidden beneath 1990s designer patina. It has also pursued the concept of a house orchestra, which would improve playing standards and allow it to present more imaginative programmes.

It is no secret that the chairman of the Board, Mr Ronald Grierson, favoured a dual residency, shared between the LPO and the Philharmonia. These were the only two orchestras to apply for the advertised residency. In the event, Sir John's panel came down in favour of a more economical single residency and preferred the LPO.

But the negotiations to ease the LPO into the job are only now beginning. There are many problems. For a start the South Bank Board wants a say in the appointment of a new music director for the LPO. Fortunately the LPO is without such a director at the moment so this might be agreed.

More contentious will be the funding of a house orchestra, estimated to cost £700,000 a year by the autumn of 1992 when the scheme is expected to start. The South Bank will find some of the money; the LPO, which will gain valuable extra sponsorship income from the appointment, can contribute its mite; but it will be up to the Arts Council to foot most of the bill. Although it approves of the objective it is reluctant to aid the LPO at the expense of the Philharmonia, or even the other two London orchestras, the RPO and the LSO.

Then there is the matter of programming, in which Nicholas Snowman, artistic director of the South Bank, will expect to play a part. The LPO will give up to 60, very varied, concerts a year in the Festival Hall, as against the average of 40 at the moment. And, although Ronnie Grierson will take no part in the negotiations, his views will obviously carry weight with his colleagues.

If the proposals are successfully negotiated it will lead to profound changes in the musical life of London. For a start the Festival Hall will be closed on 67 nights a year for the additional rehearsals needed for the LPO to reach perfection. At the moment the Hall is dark on only a dozen occasions. It will also reduce the playing opportunities in the prestigious Hall of both the Philharmonia and the RPO. The former's 40 concerts a year will fall to around 25 and the the concerts from the RPO will halve to 15. However, the Philharmonia has been given the valuable sweetener of being allowed to rehearse in the Hall, which will save it time and hassle.

All four London orchestras will survive, but the LPO and the LSO (resident orchestra at the Barbican) will find life much easier. The RPO will continue its policy of looking towards higher box office and recording work to stay in business, while the Philharmonia will still be backed by the Arts Council, which likes its commitment to experimental works. Once again a report on music in London has come up with almost as many questions as answers.

Antony Thorncroft

Don Giovanni

GREENWICH THEATRE

"I'm Donald – or Don – Giovanni," *leers Mark McGann* in his rakish white suit, and those purists in the audience not already rigid stiffen with disapproval.

Mozart's *dissoluto punito* is the latest to undergo the Carmen Jones treatment. Nick Broadhurst (book) and Tony Britten (lyrics and musical direction) turned *Figaro* into a musical for a successful West End run some years ago. Like its predecessor, this *Don* replaces recitative with dialogue, boasts sometimes violently modern language and makes surprisingly few musical cuts. What music remains is scrupulously executed, both *arias* and *ensembles*, by a musical theatre rather than opera-house cast.

The six-strong onstage band bustles through the Catalogue Aria (*vice* the overture), and Sally Crabb's metallic panel design with its unadorned fire-escape balconies plunges us into a world as gracelessly, *inhumanly functional as* – well, modern Britain. As Leporello Terence Hillyer (the company's Figaro) is a cockney fixer in trainers and tracksuit with a windcheater whose patterned squares faintly evoke Harlequin. The translation is brilliantly colloquial and fluent – *Mr Britten should polish up the English versions at more* august institutions – and respects the character of both drama and music.

Alastair Muir

Kelly Hunter and Mark McGann

These non-operatic voices are light, but careful and accurate (only in the exquisitely sensuous maskers' trio does one note a yowling quality). The production goes hell for leather for theatrical impact and generally succeeds, though Elvira's sexual byplay with the disguised Leporello is a bit much, as are jokes about panicky bowel-movement and premature ejaculation. A vein of ugly sexism, apt in this of all operas, is thrown into relief by the modernisation, not least by *the brilliant metamorphosis* of the peasants into a lager-swilling yob of a Masetto (Billy Hartman) and a punky Doc Marten-booted Zerlina in Kelly Hunter – marvellous; but she must beware of flattening notes for comic or emotional effect, or pulling the rhythm about: "Vedrai carino" almost became a torch song.

We lose half "Batti, batti" and all "Dalla sua pace;" a shame, since Simon Butteriss, blossoming into one of our most consistently intelligent young comic actors since *The Metropolitan Mikado*, takes a fascinating shot at that wimpish stick, Ottavio. Played validly as a chinless wet, *faintly* embarrassed by womanly hysterics ("Pull yourself together, kitten"), swearing on his cricket bat to avenge Anna, he passes the acid test of those fatuous interjections in Anna's account of the rape attempt in the accompanied recitative ("Don Ottavio, son morta!") preceding "Or sai chi l'onore." The outraged prurience is nicely judged; that clueless cry of "Ohimè, respiro!" – which provokes mirth in the best regulated opera-houses – is here "For that thank heaven!" and rightly serious. Mr Broadhurst's *production errs* in playing "Il mio tesoro" for laughs. Mr Butteriss' voice is tight and wiry but evenly knit and agile. The breath control and accuracy in the runs knock spots off the specialist Mozart tenor in the latest recording.

From *Phantom of the Opera Jan Hartley Morris is a lyrical* Anna with a secure, well-covered top register that serves her well in "Non mi dir." The vengeance aria is gentle, introspective, almost brooding, and in the context works well. Sarah Payne's smart-suited Elvira, arriving with chic luggage, embodies Roy Lichtenstein angst, the *sullied fallen* woman of innumerable B features in the Claire Trevor or Marie Windsor mould. Again, a small voice used carefully negotiates both "Fuggi il traditor" and "Mi tradi" to theatrical effect.

On the first night the work might have been rechristened *Leporello*. Mark McGann's Giovanni suffered the after effects of a throat infection and the colourless vocal dryness seemed to inhibit his characterisation. Mr Hillyer's wide boy dominates the production, especially in the wickedly updated catalogue of his master's conquests: in Birmingham 640, Brighton 230, 90 in Leeds, 400 in Nottingham, but in London – ah, in *London son già mill'e tre*. In deference to this audience's sensibilities, however, "in Greenwich he gave up at 20." Whatever the purists may say (and if a fashionable name from international theatre had been attached, I suspect they would be swooning), this is a performance with its own excitement, consistency and integrity.

Martin Hoyle

Tippett's Suite for 'New Year'

SAN FRANCISCO

Just after the 85th birthday of Sir Michael Tippett (January 2), the San Francisco Symphony, under guest conductor Muhai Tang, gave the world première of the composer's "Suite from *New Year*," commissioned by the orchestra. In preliminary remarks spoken from the stage, the composer, on hand for a week-long celebration of his music, described the new work as derived "mostly" from the music of his fifth and most recent opera, which had its première in Houston last October.

The *New Year* Suite is an exuberant, generally fast-paced, bountiful score (weaving a dense fabric of musical ideas into a span lasting just under half an hour) in which the grittiest kind of realism (snare drum strokes as gunshots in the Terror Town scenes) mingles with magical dreamscapes and yearning visions. Its propulsive energy informs even the most atmospheric pages of the score, which maintains a high pitch of excitement without resort to sensationalism.

To anyone who has not experienced the opera (this writer included), the piece is initially baffling. Its 13 sections, played continuously, are not always easy to differentiate (even with the score in hand). But even without the verbal and scenic associations, the Suite (like Tippett's operas) reveals its own meanings, even logic, on repeated hearings. Multiple listenings to a broadcast tape with score have convinced me of the integrity of the work – and more, of its haunting power.

Without reiterating the opera's story, the suite, programme music in the best sense, tells one its own, *forcefully and eloquently. It comes* in a kind of plastic wrapper: some musically undistinguished taped sounds representing the landing and take-off of the spaceship from "nowhere." A stronger frame is provided by its outer sections, a Prelude evoking the lurking (and manifest) menace of Terror Town and the paired two final sections, The Beating-Out of the Scapegoat (the Bad Old Year) and the Ringing In of the New Year, with its distant, eerie "Auld Lang Syne."

The core of the suite focuses on the music of Donny and Jo Ann, the opera's foster-children protagonists. Donny's music, in particular the Shaman Dance and Donny's Skarade, use the same augmented instrumental forces of the opera: a large percussion section and ensembles of saxophones and electric guitars (instructed to stand while palying as they would in a jazz ensemble). Tippett's strains of reggae – and ska-influenced music have been criticised for not sounding like the "real thing," but the same could be alleged about Mahler's Landler and Scarlatti's fandangos (among countless other examples). It strikes me as colourful, arresting, and effective.

The music for more conven*tional orchestral forces, including* all of Jo Ann's, is rich in both invention and cross-reference. Thematic material is traded between sections and soloists smoothly and tellingly, and, on successive hearings, particular rhythmic figures the strings assume the profile and potency of familiar characters.

Shanghai-born and -trained guest conductor Tang led a confident, probing reading at the première, eliciting a peak performance from the Symphony musicians. The Suite merits a place in the repertory which it will achieve only if, like the opera, it is performed often and well enough for it to *yield up its many-layered mysteries*.

Too characteristically, the Symphony sugar-coated the daunting new work by playing it between performances of the Elgar D-Major *Pomp and Circumstance* March and Rakhmaninov's Second Symphony. It compensated, the following *Sunday, with a chamber con*cert of Tippett's music at Old First Church. The fare was mostly early Tippett: the "Preludio al Vespri di Monteverdi" (1946), the song cycle *The Heart's Assurance* (1948), and the String Quartet No.1 (revised version, 1944). The concert's peak came with guitarist David Tanenbaum's deft, *mercurial performance of The Blue Guitar* (1983).

Timothy Pfaff

ARTS GUIDE

January 26-February 1

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the *Lincoln Center in New York* and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

The Good Person of Sichuan (Olivier). Magnificent National-Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about a Chinese prostitute who can only do good by adopting a vicious disguise. If poverty is not combated by political systems, what can an individual's compassion do? Witty new translation by Michael Hofmann. Fiona Shaw leads a fine cast in a play new-minted for the 1990s. Jan 29-Feb 3 (928 2252).

A Little Night Music (Piccadilly). Fine revival by Ian Judge, imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). *Tommy Tune, Broadway's present* musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually *startling and choreographically* feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Winter's Tale (Goodman). Frank Galati directs a production that spans the ages, interpreting Shakespeare as running from Ovid and television. Ends Feb 17 (443 3800).

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way *through the 1986 Tony Award* winner. (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. Kabuki-za. Performances at 11am and 4.30pm. Of the three pieces in the matinee, the most famous is *Funa Benkei (Benkei in the Boat)*, which is set on a kabuki version of a noh stage. The evening programme features two short dance pieces and a full-length drama, *Sannin Kichiza (Three Men Called Kichiza)*, an amusing and action-packed genre piece about three bandits who all have the same name. One of them is a young pickpocket who disguises himself as a woman – a virtuoso performance by the versatile Kikugoro. Earphone guide in English. (541 3131).

Modern noh plays by Yukio Mishima. Two plays (*Sotoba Komachi* and *Kantan*) which use the traditions of Japan's classical theatre to highlight themes of our own times. Performed (in Japanese) by Yukio Ninagawa's company to mark the 20th anniversary of Mishima's death. Tokyo Globe Theatre.

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The road to unification

EVER SINCE the collapse of the hardline Communist regime in East Germany and the memorable opening of the Berlin Wall last year, German unification has been on the international agenda. Moscow may have pretended for several months that it would never be on the cards and Bonn's west ern allies that it was a distant prospect dependent on the fulfilment of a whole host of conditions, but no one had any serious doubts that it would happen one day.

That day, however, is looming ever closer as the result of the latest developments in East Germany. The East German Prime Minister, Mr Hans Mod row, has announced that he has been obliged to bring forward to March elections originally planned for May, and to form a non-partisan caretaker coalition in the meantime, as the only way of saving the country. The picture painted by Mr Modrow is indeed alarming: a disintegrating economy plagued by strikes, the continuing daily haemorrhage of up to 3,000 citizens, who prefer life in West Germany, and a breakdown of law and order.

Because of these overwhelming pressures, half-hearted economic reforms are no longer sufficient to create the kind of environment in which East Germans want to live. Only a few hours after the Prime Minister's doomsday warning, some 100,000 East Germans staged a demonstration in Leipzig, calling for unification with West Germany. It is more than likely that the government emerging from the country's first free elections in March will also make that one of its top priorities.

Under pressure

Under the pressure of events, even Mr Mikhail Gorbachev was forced yesterday to drop his opposition to the principle of unification, while stressing that it needed careful management so that it would take place in an orderly fashion. No western leader would quarrel with that judgment, particularly given the security implications. Would a united Germany inevitably lead to its neutralisation and thus to a weakening of Nato? Could a united Germany become a member of the Atlantic Alliance, shorn of its military characteristics and converted to a purely political role?

These are questions which cannot be answered satisfactorily until the arms control process has advanced much further than at present. Once an *East-West agreement on conventional* force reductions in Europe has been reached and a Strategic Arms Reduction Treaty signed, it will become more realistic to talk about the withering away of Nato and the Warsaw Pact and the membership of a united Germany of a western alliance.

Stable currency

That does not mean, however, that all aspects of German unification need or should be delayed and that a step-by-step process cannot be set in train almost immediately, particularly in the economic domain. An economic and monetary union between West and East Germany, without, for the moment, leading to a full federation of the two states, could be the answer to East Germany's problems in the shorter run.

The most urgent measure required is to give East Germany a stable currency and a stable price system. This could be achieved if West Germany were prepared to establish a fixed rate for the D-Mark against the Ostmark which people would then want to hold, instead of fleeing from a currency which is constantly declining in value. Currency integration would go hand in hand with a liberalisation of East Germany's still restrictive foreign investment and foreign trade regulations, thus stimulating trade and investment flows between the two Germanys, the abolition of price controls and rapid moves towards a genuine market economy.

The progressive integration of the West and East German economic systems, involving inevitably some common institutions such as the Central Bank, would lay the ground work for a fuller unification of the country at a later date. But it need not lead, in the short term, to the agonising reappraisal of alliances which the Soviet Union and most of Bonn's western allies at present so much fear.

Church, state and poverty

LIVING FAITH in the City, the Church of England's latest analysis of Britain's social problems, is certain to irritate members of the UK Government. It is unimpressed by government initiatives in housing, health care and education and strongly critical of recent tax and social security reforms, which it says have greatly increased the gap between rich and poor. Many underprivileged people, it suggests, face a bleaker future today than they did in the mid 1980s. The implication is that the Government has made little progress in tackling the problems identified in Faith in the City, the church's controversial 1985 study of inner city decay.

Dr Robert Runcie, the Archbishop of Canterbury, has endorsed the latest report which was produced by an advisory group led by the Bishop of Willesden. Dr Runcie, rarely a popular figure in Downing Street, deserves credit for being prepared openly to criticise the thrust of government policy.

The bulk of the population has undoubtedly enjoyed rapidly rising living standards in the past decade. But this general prosperity has been accompanied by acute social disorders: rising inner city crime, more begging on the streets, an increase in one-parent families, and widespread homelessness. There is no agreement on how best to tackle these problems, which beset many other advanced economies. Ministers should therefore welcome constructive criticism, whatever its source.

Relative poverty

The study is deeply critical of the concept of poverty advanced by Mr John Moore, the former Social Services Secretary. Mr Moore pointed out that 50 per cent of those on income support have a telephone and almost all have a television. To talk of poverty in modern Britain, he suggested, was a "dangerous" misuse of language. The church's response is that poverty is a "relative as well as an absolute concept." It exists "even in a relatively rich western society if people are denied access to what is generally regarded as a reasonable standard and quality of life in that society." It is about powerlessness, exclusion and loss of dignity, as well as shortage of money.

The authors of Living Faith in the City are therefore concerned by the sharp rise in inequality during the 1980s. Between April 1979 and April 1989, the real weekly earnings of the lowest paid decile rose 5.7 per cent; the top decile enjoyed an increase of 36.6 per cent. Over the same period, the income tax liabilities of the lowest decile fell by 1.6 per cent; those of the top decile fell by 48.5 per cent. "In our judgment," says the report, "the inequalities are too great and are excluding more and more from participating in our society."

Private charity

The report also criticises the Government's attempt to promote private charity in place of public expenditure. The Bishop of Willesden and his colleagues argue that the amount of money likely to be given in voluntary donations simply bears no comparison with the sums that can be raised in taxation.

It is thus an illusion to believe that an expanded voluntary sector can shoulder a significant burden of poverty relief. The co-existence in the US of well-funded private foundations and apparently intractable social disorders suggests such scepticism is justified.

This latest broadside from the church is marred in only one respect: there is little discussion of contrary points of view. The authors simply assume that inequality is a bad thing. Many Thatcherites dispute this, arguing that increased differentials are necessary to improve incentives and boost economic growth. Nor does the study consider the argument – popular in the US – that public welfare is usually counter-productive because it increases dependency.

These arguments may be wrong but in 1990 they have to be addressed. The church has every right to question the morality of government economic policy. But it would do so more effectively if it displayed a better understanding of the philosophical rationale behind the enterprise culture.

Quentin Peel and **Mark Nicholson** visit the latest citadel of a burger empire

Mac attack in Pushkin Square

The sign at the entrance to McDonald's latest and greatest addition to its hamburger empire says it all: "Only for roubles."

That is a statement of faith by Mr George Cohon, head of McDonald's Canada, and the man who has fought against the overwhelming odds of Soviet bureaucracy and western scepticism for 14 years to build an outpost of the empire in Moscow.

It means that ordinary Soviet citizens will be able to buy their Big Macs and French fries for their own devalued currency, and not be forced to gaze through the windows in envy at a handful of foreign tourists and black marketeers who happen to possess hard currency.

It also means that McDonald's is going to make a mountain of rather useless roubles.

When it opens today in Pushkin Square, on the former site of the dreary old *Cafe Lyra*, McDonald's Moscow is set to break a whole string of records, intentional and unintentional.

It could be the first McDonald's restaurant in the world without a litter problem. Soviet customers are already taking the polystyrene packaging home to re-use it.

It could be the first to make a mockery of the concept of fast food: the queueing may well take 10 times as long as the eating.

It certainly expects to be the first to break the 15,000 barrier for individual food orders in a single day. And it intends to be the first restaurant in the Soviet Union where the staff are taught to smile.

The brash red-and-yellow plastic fittings, and that ubiquitous giant M, already provide a shocking contrast in the heart of Moscow to the familiar seedy decrepitude of a Soviet city. McDonald's will be tackling a huge culture gap. It is not just a gap in food culture, between the ultimate American hamburger and the miserable Soviet sausage, although that is large enough. It is a gap in business culture, *management culture, leisure culture* and work ethics.

Without the crusading zeal of Mr Cohon, it must be extremely unlikely that the project would ever have seen the light of day. Behind the public relations hyperbole and the razzmatazz of opening day lies one of the most painful and painstaking western investments to be made at the very cutting edge of perestroika.

McDonald's is staking its international reputation on being able to maintain its management culture and quality control indefinitely, in the heart of the Soviet Union, serving Big Macs in Moscow as if it were Minneapolis or Miami.

Those hamburgers, quite apart from being just another symbol of American cultural imperialism in the heartland of communism, represent an experiment to prove whether western capital really can operate under current conditions of perestroika – the half-reformed Soviet Union. As such, the operation already offers a case-study for any other potential western investor.

The US food giant has been forced to set up a totally integrated food supply, processing and distribution operation in the Soviet Union, just to ensure satisfactory supply to the one 700-seat restaurant in Pushkin square. Out of a total investment of $50m, $40m has been spent on a gleaming 100,000-sq-ft processing plant on the edge of Moscow, for everything from meat patties to cucumber pickles, tomato paste and potato chips.

At full stretch the plant can turn out each hour 10,000 meat patties, 14,000 buns, 3,000 litres of milk and 5,000 apple pies. It can store 3,000 tonnes of potatoes. This is all achieved in a factory which would make a passably trendy Swedish furniture warehouse.

Manned by 250 locals and, for the next few months at least, supervised by top McDonald's managers from Europe and North America, the plant will trundle along on 8 am to 5 pm shifts for the foreseeable future.

Managers insist that a huge inventory of spares and an on-site workshop should keep the plant immune from the chronic parts shortages which are endemic throughout the Soviet Union. Pilfering from work is to be taken care of by security guards at the gate, 10-ft-high barbed wire fencing around the plant and guards and security cameras inside. Sceptical observers will hope the security guards are models of probity.

The food processing plant represents a degree of integration all the more remarkable for the fact that McDonald's itself normally shuns such arrangements, preferring to rely on independent suppliers.

McDonald's, unlike most other early western investors in the consumer sector, will operate in roubles from the very start.

"Earning hard currency is not something we are concentrating on," Mr Cohon insists. "We are a restaurant company. We are more concerned right now with building a business. We are not concentrating on repatriating profits."

"I'm more worried about the crew (McDonald's jargon for its employees), seeing that they don't burn out, and ensuring that the standards are maintained."

It is a company decision which underlines the long-term view it has taken about investing in the Soviet economy, as well as a realisation that the booming "dollar economy" may yet cause a violent backlash.

"Don't think you can come in here real quick, make a deal, and walk out with hard currency profits. That just isn't real," he says.

"You have got to get really good advice. There are no instant experts in this country. Then you have got to get into the mind-set of the Soviets. You have got to start thinking what *their* problems are."

McDonald's has a 49-per-cent interest in the enterprise; Mossoviet, the Moscow city council, 51 per cent. But the track record of western joint ventures in the Soviet Union is uninspiring.

At January 1, 1,274 joint ventures had been registered. According to the State Statistics Committee, only 184 were actually operating in 1989, and many of those just turning over. By far the largest proportion have been registered in the easiest but least productive areas. Just 4.4 per cent are involved in agriculture and food-processing industries.

The McDonald's venture is an experiment in whether western capital can operate in a half-reformed Soviet Union

Joint ventures have trouble ensuring adequate and regular supplies in a system where all supplies are allocated by the state, and joint ventures largely fall outside the system. They must try hard to find some way of making profits in hard currency as well as in roubles. They must bridge the divide in business culture, whether that means employment practices or the definition of profit.

In securing supplies and in spanning business cultures, McDonald's has simply been bloody-minded and insisted on having its way. It has been willing to compromise on the early repatriation of profits.

McDonald's has its own experts to supervise supply right down to the farm level. The company brought in Russet Burbank seed potatoes from the Netherlands and Canadian agronomists to supervise the planting, harvesting and storage.

"The yields are 20 per cent to 100 per cent better than on the adjoining fields," Mr Cohon says. The joint venture sends its own lorries to the farm gate to collect the potatoes; it refuses to rely on a Soviet distribution system which traditionally wastes at least 30 per cent of the crop. Milk and meat are given the same detailed attention.

The task of quality control fell to Mr Terry Williams, who says he has scoured enough farms and dairies in the past year to compile a telephone directory of Moscow agriculture. Most of the time, he insists, it was just a question of time spent tracking down good enough suppliers. "This is a huge country and we know we can find what we want, we just have to bring it here to Moscow." Nearby collectives produce "fantastic" cucumbers for the pickles and "just great" lettuce, he says. To find the right beef, however, McDonald's has not only had to find the right livestock farm, but feels obliged to handpick every animal sent to slaughter.

For sugar and flour, the company has had to rely on Mossoviet to win it allocations in the Soviet economic plan, and must live with the uncertainties of the arrangement.

McDonald's is importing items which cannot be produced locally: all the packaging, for example, and ingredients such as mustard, tartare sauce and fish fillets. This means that while revenues are still all in roubles, some of the running costs continue to be reckoned in hard currency.

"The revenue here will be the highest in the world," Mr Cohon declares. "The minute we open the door we will start making money" – in roubles.

McDonald's is guaranteed a royalty payment in hard currency, though this is only payable once the joint venture itself begins to earn foreign exchange.

A second McDonald's restaurant to be built in Moscow will have seven floors of offices above it for letting to foreign businesses for hard currency. The surplus capacity of the food processing plant, ultimately capable of supplying 20 restaurants, can be used to supply hard currency hotels with French fries and other foods. Finally, there are hopes to export some of the processed food products.

McDonald's has driven a hard bargain on management practices. The company insisted on employing part-time workers, in defiance of all Soviet labour laws. The result is a cheap and cheerful staff of Soviet students, each working no more than three or four hours a day. In spite of low wages (Rs1.50 an hour), there were 27,000 applicants to work in the restaurant.

All the successful applicants have been put through a classic McDonald's brainwashing, exposed to hours of videos of happy, smiling staff in western restaurants and learning how to say "have a nice day."

Unlike McDonald's workers elsewhere, however, almost all the Moscow staff are unionised. This is *de rigueur* in the Soviet Union. They also have a workers' collective and a collective agreement.

The top four Soviet managers spent 10 months at Hamburger University in Chicago from which they emerged with flying colours. They spent more than 1,000 hours each training on the floor. Twenty-five assistant managers spent three months each in Toronto.

McDonald's brings with it the full company system of bonus payment for productivity, something which its Soviet partner has accepted.

So what benefit will the whole operation bring to the Soviet Union, apart from queues through Pushkin Square which will probably be longer than those for Lenin's mausoleum? There could be a spin-off on the farm, if better seed crops and harvesting techniques catch on. And perhaps the part-time employees and Soviet managers will go out into the Soviet system and spread the gospel of hard work.

Yet the exercise is still only an island of western management culture in a sea of Soviet bureaucracy. The customers may pay in roubles but the company attitude remains: do it our way, or not at all.

Every customer in the queue outside will get a pamphlet telling him or her just how to behave when they reach the 27 cash tills. What is an order to take away? And why are there no knives and forks?

Yet some things about the Soviet system just cannot be avoided. As a McDonald's vice-president sat at the gleaming counter, giving his umpteenth press interview of the day, he was transfixed by the sight of a cockroach weaving its way past the packaging.

With a swoop, he had it, flung it in the bin, and desperately thought of an excuse.

"You see," he declared with a grin. "In Moscow, everybody wants to be at McDonald's."

A Soviet militiaman looks at the menu; and (right) a promotional brochure shows a Big Mac

OBSERVER

DeVille sees it through

■ Although he is not eligible to take part, a debate in the House of Lords today should be a high point for Sir Oscar DeVille, the 64-year-old chairman of Meyer International.

Meyer is the UK's leading distributor of building materials and timber, but the debate has nothing to do with that. It is about education and training. DeVille's interest is that he was the chairman of the review of vocational qualifications, whose recommendations in 1986 are leading to fundamental changes in the English approach to education.

"It was a matter of bridging the gap between the vocational and the academic," DeVille says. Today he believes that the battle is almost won. "You had to go for the hearts and minds of all the people involved. The specialists have been won over, most of the head teachers, and the personnel directors. Now it is a question of going for the managing directors and finance directors."

The report of the DeVille working group is still worth reading. It found not so much that there was a shortage of vocational training in England and Wales, but that it was higgledy-piggledy and unco-ordinated. That may have been an understatement. One table shows that more than 40 per cent of the work force in 1984 had no formal qualifications whatsoever, academic or vocational.

The group called for a national framework in which all vocational training could be viewed as a whole. What impressed DeVille was the speed with which the recommendations were accepted by the Government. It meant that training was being taken seriously at last, he says.

DeVille became chairman of the newly established National Council for Vocational Qualifications, though there is also a chief executive in Professor Peter Thompson, so DeVille has time for Meyer.

Having spent the first 16 years of his working life at the Ford Motor Company, DeVille remains ambitious. He would like to see the new vocational training having something to teach the French and Germans by the end of the century.

Wrong move

■ George Cohon, the 52-year-old President of McDonald's Restaurants of Canada and the man responsible for taking Big Macs to Pushkin Square, had a story to tell at the celebratory dinner in Moscow last night. His father was born in the same town in the same year as Leonid Brezhnev. The Soviet Union might be a different place, Cohon often says, if the Brezhnevs had left and the Cohons stayed.

Gurkhas' pay

■ Gurkha fighters retiring from the Army and returning to the far-flung Himalayan kingdom should thank high-tech for their pensions. For the payments to the 20,000 British Gurkhas and their dependents in Nepal involve a remarkably complex international operation. It has just been fully computerised.

The pension rate each year is worked out by the Indian Government (there are also 50,000 Indian Gurkha pension holders) and passed on to Kathmandu, which in turn informs the Adjutant General's office in London.

Next, Chinese clerks led by British corporals in Hong Kong re-calculate the individual pensions – to incorporate retroactive changes made in 1987 to such items as gallantry awards and trekking allowances.

This data is relayed to the three centres in Nepal. There the payments are made on a quarterly basis. However, since many claimants may have to trek for weeks from remote areas, pensions (a minimum of Rs 350 a month) are held for up to three years before they lapse.

A friend tells me that some veterans are given just enough money for a drinking spree when they arrive, and collect the rest of the pension after sobering up for the long trek home.

"They left me behind to stop you cutting the wire."

Absent Exxon

■ Hard not to feel sorry for Joseph Hazelwood, captain of the Exxon Valdez when the tanker spilled almost 11m gallons of oil off Alaska last March, as he pushed through the television cameras to begin his trial in Anchorage.

Surrounded by about 80 journalists in courtroom C, Hazelwood looked distinctly isolated. Indeed opinion in the US seems to have changed since the oil spill was at its height. The feeling now is that it is unfair for one individual to take the entire rap.

At the time of the disaster, Hazelwood was vilified as Environmental Enemy No 1 and his fondness for drink became the butt of almost every American comedian. ("Why did Hazelwood run his ship on to Bligh Reef? To get *some ice for his margarita.*")

Since then sympathetic articles have appeared in the national and even the Alaskan press casting doubts on the claim that Hazelwood was drunk or acting recklessly when the tanker ran aground, two of the main charges he faces.

A poll published in the Anchorage Times showed that, while most Alaskans still want him to be punished, only 8 per cent think he deserves a long stretch in prison.

The clue to the shift in opinion was contained in the same poll. More Alaskans put prime responsibility for the spill on Exxon rather than Hazelwood. Yet the US's biggest oil company, which sacked Hazelwood shortly after the disaster, is the party notably absent from the courtroom this week.

Up for air

■ East German swimmers used to be heroes. But there may have been some cheating. A recent book, Gut Reactions: Understanding Symptoms of the Digestive Tract, published by Plenum, alleges that some of them have had up to 1.8 litres of air pumped into their intestines to improve buoyancy. The benefits were confined mainly to crawl and backstroke swimmers. One breaststroker complained that his gas-filled insides caused his feet to stick out of the water.

All over now, of course.

Familiar

■ Two yuppies in a wine bar. One says: "Isn't it terrible what's happening in Nagorno Karabach?" The other replies: "Why, is there no snow there either?

Vanessa Houlder reports on management buy-outs

The spoils of enterprise

In 1986, Mr Tom Wilding and 70 other executives put £400,000 of their own money into a £38m management buy-out of the peripheral paper operations of Bowater Industries.

The new company – UK Paper – thrived. Fifteen months later, it joined the market at nearly three times its buy-out price, and last month it succumbed to a £299m cash bid. In three years Mr Wilding, who joined Bowater as an office boy at 14, had amassed more than £6m.

UK Paper's successful sale has raised doubts about the principle of management buy-outs (MBOs). Do they, as their champions claim, unleash the entrepreneurial spirit of managers? Or are they simply examples of financial engineering, making a lot of money for a few executives?

The less flattering view of MBOs has been fuelled by a steep increase *in the number of* buy-outs which choose to sell themselves to another company, rather than retain their independence. In 1989, 72 MBOs were sold and 11 were floated, compared with 48 sales and 34 flotations in 1988, according to the Centre for Management Buy-Out Research at the University of Nottingham.

The high returns reaped by managers who sell out to an acquirer (see table) reflect the structure of buy-outs. Typically the senior managers provide between £25,000 and £60,000 each, to obtain a disproportionate share of the equity – usually between 10 and 60 per cent. The bulk of the funding comes from bank loans secured on assets, so the managers' eventual return will be much more *than the increase* in the value of the business.

But the increase in the value of the business has, in many cases, been spectacular. One theory in the past has been that managers achieve this by drawing on their intimate *knowledge of the business in* negotiating the price. In the last few years, however, any insider advantage of this nature has become less important, as parent companies increasingly prefer an auction in which managements must *bid against outside offers.*

Advocates of buy-outs suggest that intensified management effort is at the heart of the increased value of the business. Freed from their corporate parent, managers put new effort into cutting costs and tightening margins.

Mr Martin Brailsford of Premier Brands, a buy-out from Cadbury Schweppes now bought by Hillsdown Holdings, believes that the pressures of high borrowings have a salutary effect. "You can get lazy as part of a larger group. You are able to take softer options," he says. "High financial leverage breaks the aura of self-confidence and infallibility that managers have in a big group."

However, he admits that this is a short-term benefit. "You can *do so much in the first two* years in belt tightening, but it is not a permanent way of life."

The risks are spelt out by Mr Peter Jansen, who was chief executive of Caradon, a buildings-product buy-out from Reed International, *now sold to* to MB Group. "If you are the sort of manager out to make a million, you can be too aggressive by selling assets and not investing enough in the business," he says.

A study by Warwick Business School, which tracked the performance of 58 MBOs, found they had a better-than-average performance in the first three years, after which they tended to produce lower profits and a lower return on capital than the industry average. It suggested that opportunities to cut costs and improve margins had usually been exhausted after three years and managers fared less well when facing the hurdles of new markets or increasing market share.

Once the relatively straightforward years of cost cutting are over, it is not surprising that a sale seems attractive. Many managers opt for a congenial partner which will allow them autonomy. In the case of Premier Brands, this – together with a desire to keep *the business intact – led it to* turn down higher offers in favour the Hillsdown bid.

Some critics believe that managers choose partners that will offer them an easy ride. There is a growing trend towards overseas purchasers, *for example, which* usually allow their subsidiaries more operational independence.

Foreign sales accounted for 12 per cent of total sales last year, according to the Centre for Management Buy-Out Research. This trend is at odds with the tendency to hail buy-outs as the revival of an independent UK industry. For example, Mr Wilding's ambition, at the time of UK Paper's flotation, to take the company "back to the days when it was recognised as the best paper company *in the UK*" now rings slightly hollow.

None the less, managers are usually required to provide an exit for investors and the more subdued state of the stock market has meant that in recent years it has offered considerably *lower prices than those* achieved by trade sales.

Flotations also court the risk of a hostile bid. Premier Brands reckons it would have had to sell over 60 per cent of the company to pay off its debts, which would have made *it an easy target for a predator.* Similarly Mr Alan Bowkett, of UPI (Britain's largest precision bearings maker, sold this month after a 1987 MBO) says that the company needs substantial investment over the next five to 10 years, which would make it more vulnerable to a predator.

However, alternatives to trade sales or flotations do exist. One innovative alternative was that of Unipart, the former Rover Group parts subsidiary which was privatised in an employee buy-out in 1987. Having paid off the £30m of debt that financed the buy-out, it was able to borrow again to buy back £20m of shares and so reduce the institutional holdings from 56 per cent to 36 per cent. The bought-back shares were reallocated to managers and employees, raising their stake to 45 per cent.

"It was an elegant solution for all concerned," says Mr John Neill, Unipart's chief executive. The investors were repaid their original investment, the employee share ownership has been further widened and the management still feels in control of its destiny.

Looking ahead, it seems likely that managers will continue to seek a share of the equity. "It reflects a more entrepreneurial style of manager that we have in Britain," says Mr Ken Robbie of the Centre *for Management Buy-out* Research.

However, the rewards for managers may start to lessen. A slowdown in the economy is likely to weaken the prices paid by acquirers. "The managers' share of equity will be falling and the amount of institutional equity might have to increase," says Mr Robbie.

Furthermore, there is likely to be greater emphasis on the risks of buy-outs. Mr Jansen believes that the pressures on managers, who have considerable sums of their own money at stake, are already underestimated. "Having two-thirds of your house on the line is no joke at the time," he says.

So far the failure rate of buy-outs has been low. The risks may become increasingly apparent as a result of the problems of buy-outs exposed to the retail sector, like Lowndes Queensway, MFI and Magnet. The sobering example of Mr Tom Duxbury, who engineered the Magnet buy-out last summer and has this month left the company bearing a loss *on his investment, may be just* the first of many. This week, Response, a textile group, went into receivership, unable to meet the interest payments on the loans that financed its £90m buy-out from Coloroll, 18 months ago.

The desire of managers to own a share of their business is here to stay. But the risks may increasingly bear a more obvious relationship to the rewards.

MANAGEMENT BUY-OUTS that have turned their backs on independence include:

● Premier Brands, the food group which included Typhoo tea, Cadbury biscuits and *Chivers Hartley jam.* Nine directors shared some £1[illegible], when it sold itself to Hillsdown Holdings in May 1989, three years after a buy-out from Cadbury Schweppes.

● Caradon, a building products company. Its management team saw their investment increase sixty-fold in the four years between buying the business from Reed International and selling to MB Group last October.

● Evans Healthcare, a drugs company. Its management team took 15 per cent of the equity in the £27m buy-out from Glaxo in 1986 and has just sold the business to Medirace for £87m.

● This month, United Precision Industries, the UK's biggest maker of bearings, was sold to Nippon Seiko *of Japan*. Forty UPI managers shared £22m after taking a 15 per cent stake in December 1987.

● Jeyes Hygiene, an industrial cleaning products specialist, bought out of Cadbury Schweppes in 1986 for £9.1m, was sold to Unilever, the Anglo-Dutch multinational, last September for £31.6m.

● Istel, a computer services company, which was *sold to its employees by the Rover car* group for £35m in 1987. Last September, Istel was sold to AT&T, the US telecommunications giant, for £180m, making several of its managers multi-millionaires.

Labour market

The fallacy about productivity and pay

By Richard Layard

Should workers be paid according to the productivity of their enterprise? According to senior ministers and CBI leaders the answer is Yes. But the standard answer *has always been No.*

So where do ministers go wrong? They start from the important proposition that to stop inflation, average wages in the economy should rise only as fast as average productivity. They then suppose that an easy way to achieve this would be if pay in each firm grew at the same rate as productivity in the same firm.

But this method is disastrous and doomed to failure. It is not only unfair but grossly inefficient. There are huge differences in productivity growth between sectors, which are mainly due to technological factors and not to the efforts of the workers. Thus some sectors have inherently greater productivity growth than others – with manufacturing generally outstripping services. Since this reflects no special merit among the workers in manufacturing, why should workers in services increasingly fall behind?

The service workers will not, of course, agree to do so, and market forces are on their side. So the chief result will be additional inflationary pressure, as service workers' pay tries to keep pace with manufacturing. This is the fundamental problem behind the ambulance workers' dispute.

The mechanism can be simply illustrated. Suppose pro*ductivity grows at 5 per cent a* year in "manufacturing" and 1 per cent in "services" – an average of, say, 3 per cent. If all workers get 3 per cent wage increases, all will be well. But that is not the current philosophy. Government ministers *have told those in "manufacturing"* that they can reasonably expect more. But then the "service" workers also insist on getting more too. The result is disastrous.

An important reason for our present problems is this *half-baked* philosophy. Yet these issues are not new. In 1967 William Baumol wrote a famous article in which he explained how economic progress proceeds in a properly functioning economy. Productivity grows faster in manufacturing than in services. But wages grow at the same rate (so that the relative price of manufactures falls).

In this way *the fruits of high* productivity growth are spread evenly across the economy, not hogged by one group of workers. Thus barbers are four times richer than they were half a century ago because of productivity increases in the rest of the economy. How on earth could anybody believe that efficiency or equity required otherwise?

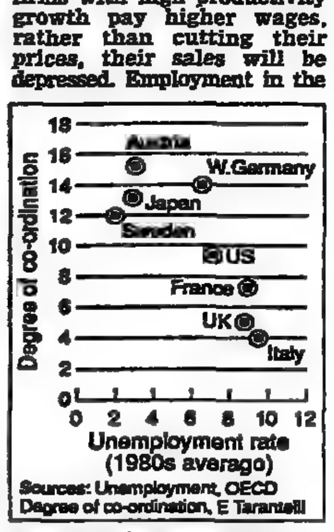
The inefficiency in productivity-based pay is manifest. If firms with high productivity growth pay higher wages, rather than cutting their prices, their sales will be depressed. Employment in the most productive sectors will be held back, and the least pro*ductive sectors* (paying lower wages) will continue to waste labour. In international competition the country will be increasingly forced to specialise in low-productivity, low-wage industries.

This is the opposite of what *would happen in a proper com*petitive labour market. Under competition, workers of a given type would be paid the same regardless of who employed them. And this would ensure that as a nation we best exploited our interna*tional comparative advantage.*

There is no country where the productivity-pay fallacy has taken such root as in Britain. In most of the more successful countries such as Germany, Japan and Sweden the "going rate" is a standard concept – and not an object of abuse. In all these countries there is a form of co-ordinated wage bargaining.

In Sweden, the clearest case, the national employers' federation bargains directly with the national trade union federation. In Germany and Japan there is a "pattern settlement", often in the metal industries, which is then broadly followed elsewhere. This settlement is preceded by informal national talks among the employers' associations of different industries and likewise among trade unions.

By these means Sweden, Germany and Japan have been able to contain inflation with much less unemployment than countries with less co-ordinated wage bargaining. The graph makes the point.



Sources: Unemployment, OECD
Degree of co-ordination, E Tarantelli

There must of course be some differences in wage settlements across firms. To motivate workers towards better *manning practices they must* be offered a share in the resulting gains. And expanding firms need to raise wages to attract labour.

Such minor adjustments can happen perfectly well against the background of a national *going rate. This ought to* emerge from some co-ordinated process. For the fundamental pay problem is that one man's wage increase leads to another man's price increase. Without co-ordination all end up having higher wages and paying higher prices. But, when there is co-ordination, this danger can be faced explicitly and we can short-circuit the pointless wage-price spiral.

So the CBI should persuade its members that, since they have a common interest in lower inflation, they should individually operate on the basis of an agreed and sensible going rate. The Government should apply strong pressure on the CBI to secure this.

In any case let's rehabilitate the notion of the going rate. It is far better than telling the lions to take the lions' share.

The author is Professor of Economics at the London School of Economics.

LETTERS

Insider trading: lessons from the US experience

From Mr Leo Herzel.

Sir, Your editorial comment ("The attack on insider trading," January 26) expresses concern about "the movement of share prices in advance of big mergers and takeovers." In a statistical study of 172 successful tender offers in the US from 1981-1985, the authors reached the following conclusions:

"The significant effects of media speculation and of foothold acquisitions on unanticipated premiums and pre-bid run-up are consistent with a legitimate market for information. They further imply that significant pre-bid market activity is consistent with little or no illegal insider trading. Our results thus indicate that aggregate run-up statistics must be used cautiously as measures of illegal insider activity."*

If the study is correct, your excellent newspaper (quite legally) may be responsible for some of the anticipatory price movement that troubles you. Moreover, there may be little that can be done to remedy the situation within the framework of free markets and a free financial press.

With regard to your suggestion that civil damages and penalties against insider trading could be an important supplement to criminal sanctions, it appears unlikely that they would change the behaviour of many people in England. Personally, I would be terrified of even a £25 fine (let alone the £25,000 you mention or a prison sentence) as I am sure would your leader writer. Most potential insider traders have licences or reputations to lose.

To the extent that civil remedies have been an important factor in reducing insider trading in the US, it is probably mainly because they increase the incentives of private enforcers, which expands the amount of enforcement far beyond what the Securities and Exchange Commission and the Justice Department can undertake. But this depends on legal institutions that do not exist in England: class actions and court-awarded fees to class action lawyers when they are successful.

However, there is one thing the US has done to increase the risk of discovery that does not require a change in legal institutions. The statute that authorises the SEC to sue for treble damage civil penalties also permits the SEC to pay up to 10 per cent of any recovery to informers. But there may be objections to such a blatant encouragement of informers.

**Jarrell and Poulsen, Stock Trading Before the Announcement of Tender offers: Insider Trading or Market Anticipation? 5 Journal of Law, Economics & Organisation (Autumn 1989).*

Leo Herzel,
Mayer, Brown & Platt,
190 South La Salle Street,
Chicago

Need for alternatives to higher unemployment

From Mr John Philpott.

Sir, Your editorial comment ("The fear of recession," January 22) concludes that a rise in unemployment will be an unavoidable consequence of a determined effort to reduce inflation, given the absence of any prospect of reform of UK wage bargaining. It makes depressing reading, especially when set against Ronald Dore's informative account (Letters, January 22) of the advantages of the Japanese wage bargaining process.

However, while your conclusion is undoubtedly based on a fair assessment of current economic and political realities, one should be aware of the dangers of reverting to the there-is-no-alternative mentality of a decade ago.

As Peter Robinson rightly points out (Letters, January 17) the UK now has a worse unemployment/inflation trade off than in 1979 despite successive measures to free the labour market. Ironically, this is to a large extent a consequence of the Government's resort in the early 1980s to a crude deflationary policy. The legacy has been insufficient industrial capacity, continuing skill shortages, and almost 750,000 long-term unemployed unable to influence "insiders" engaged in wage bargaining.

A similar policy seems unlikely to have such severe consequences today since industry is more aware of the need to maintain investment in plant and people during the downturn in activity and the benefits system is less conducive to a sharp rise in long-term unemployment. But it is none the less short-sighted to believe that higher unemployment offers a proper solution to the UK's underlying inflation problem.

Alternatives may not be easy to construct, particularly reform of the wage bargaining process. But they must be sought.

John Philpott,
Director,
Employment Institute,
Southbank House,
Black Prince Road, SE1

Mill closures and job losses not expected

From Mr A Tjipto Wignjoprajitno.

Sir, The article by Mr John Murray Brown ("Indonesia's soaring timber tax," January 11) contains several inaccuracies. Mr Brown contends that the recent increase in taxes *levied* on sawn timber exports will result in massive mill closures and unemployment. Analysis of trade statistics compiled by the Indonesian Sawmillers Association refutes this. Since 1984, at least two thirds of the annual sawn timber production has been sold domestically.

In 1989, estimates indicate that only 3.621m cubic metres was exported out of 10.709m cu m produced. A majority of mills supply the domestic market and will not be directly affected by the increase in export taxes. Most of the approximately 400 mills which were export-oriented have received licences to shift production into woodworking: 168 of these already have an installed woodworking capacity for export. Woodworking products, which include decorative mouldings, dowels, solid door and window components, railway sleepers, and pallets, are exempt from the recent export tax increase.

Around 32m cu m of raw material are *available to the* Indonesian wood products industry annually. Plywood production utilises 15m cubic metres and no new plywood mills will be installed, so consumption requirements should remain fairly constant. The remainder, used by sawn timber and secondary products producers, will be increasingly diverted into woodworking.

These figures illustrate the shift expected within the Indonesian wood products industry as a result of the export tax increases for sawn timber. "A large proportion" of mills will not close, nor will unemployment be severe. Part-time employees may become redundant, while those under contract will instead work in the growing woodworking sector.

A. Tjipto Wignjoprajitno,
Indonesian Sawmillers and Wood Product Manufacturers' Association,
Jakarta, Indonesia

And towels

From Mr D. Simon Harper.

Sir, As a former teacher of English for foreigners, I was amused by Mr Luetkens's prompt reaction (Letters, January 24) to Observer's attempt to meddle with English idiom.

I am often confronted by non-Anglophones, voices ring*ing with triumph, bursting to* tell me that I have written something "illogical." I spend valuable time drilling into their sceptical heads the notion that English is not logical. To do this I make use of "illogicalities" *in their* own languages.

For a Frenchman, for example, I quote "iron wire", which to him is "fil de fer de fer" (thread of iron of iron). If that fails to shake his faith in French logic I give him gold wire (fil de fer d'or).

For a Swede I use "handtowel", which to him is "handhandduk" (*a hand cloth for* hands), as distinct from a bath towel (badhanduk) or a teatowel (diskhandduk).

The unusual thing in this case is that we have a Briton launching a campaign against English idiom. Britons, like speakers of all other languages, are usually deaf to the "illogicalities" of their own idiom.

My general purpose retort to the critics is an English "illogicality" very familiar to them all, and one that would have made a good second rebuttal to Observer: anyone who is a friend of John Major's is a friend of mine!

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FINANCIAL TIMES
Wednesday January 31 1990

Bush 'to propose new troop cuts in Europe'

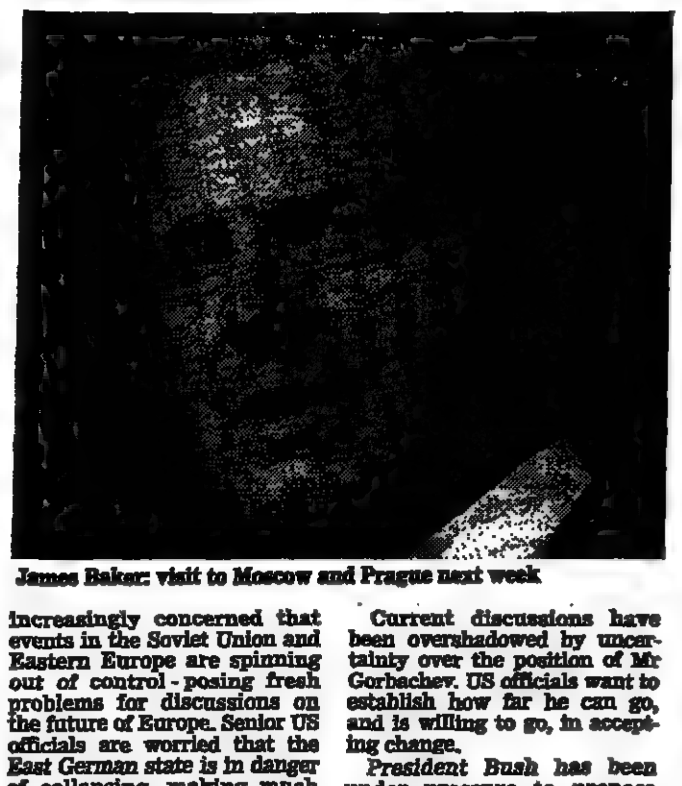
By Lionel Barber and Peter Riddell in Washington

PRESIDENT George Bush is tonight expected to announce new proposals to reduce US and Soviet troops in Europe below the levels currently being discussed in the Vienna conventional arms talks.

Mr Lawrence Eagleburger, deputy secretary of state, informed Mrs Margaret Thatcher, the British Prime Minister, of the new plan during a visit to London on Monday. Other European leaders are believed to have been told ahead of the expected disclosure in Mr Bush's State of the Union address to Congress late this evening.

The timing of the announcement could be affected by last night's reports by CNN television that Mr Mikhail Gorbachev is thinking of standing down as Communist Party leader, though remaining as president of the Soviet Union. This comes ahead of next week's meeting of the party central committee and amid widespread criticism of the leadership's handling of the economy and nationalist troubles.

There was no confirmation from Moscow last night, and the US State Department said Mr James Baker, the Secretary of State, still planned to go to Moscow later next week.



James Baker: visit to Moscow and Prague next week

The US is anyway becoming increasingly concerned that events in the Soviet Union and Eastern Europe are spinning out of control - posing fresh problems for discussions on the future of Europe. Senior US officials are worried that the East German state is in danger of collapsing, making much more difficult an orderly framework for reunification with West Germany.

Current discussions have been overshadowed by uncertainty over the position of Mr Gorbachev. US officials want to establish how far he can go, and is willing to go, in accepting change.

President Bush has been under pressure to propose deeper cuts in US forces in Europe in view of the apparent reduction in the Warsaw Pact threat since last May when the Nato alliance agreed its current position. The west has called for cuts in US and Soviet troop numbers to 275,000 each, involving an asymmetrical adjustment on the Soviet side.

Senator Sam Nunn, the highly influential Democratic chairman of the Senate Armed Services Committee, has said the US can afford to bring down its forces in Europe to between 200,000 and 250,000. Mr Bush's new proposal is aimed at winning over Mr Nunn and other Congressional leaders at a time of considerable pressure to cut defence spending.

This revised position does not mean that the US is pulling out from its defence commitments to Europe and is likely to be presented as a cautious, though realistic, response to the reduced Warsaw Pact threat, accepted even by many conservative Republicans.

While alliance leaders naturally welcome the fall of communist regimes in Eastern Europe, there is now increased concern about the resulting confusion and uncertainty.

A central theme of discussions in Washington this week between Mr Douglas Hurd and Mr Tom King, the British Foreign and Defence Secretaries, and senior US officials has been the threat of freefall in Eastern Europe.

Apart from East Germany, the main immediate concern is Romania where the State Department has warned publicly that "there should be no backsliding on the part of transitional officials as Romania moves from revolution to democracy."

The State Department has been discussing whether a visit to Bucharest should be added to next week's trip to Prague and Moscow by Mr Baker. But this now looks increasingly unlikely since Mr Baker will not want to get caught in the middle of feuding factions.

Western policymakers believe there is an urgent need to agree a framework for discussing both German reunification and broader East/West security issues.

These developments have given increased importance to the meeting of foreign ministers from both Nato and the Warsaw Pact in Ottawa in two weeks' time. This conference has been called to discuss the US's so-called "Open Skies" proposal to permit mutual aerial monitoring of troop movements. But the western ministers are now, in addition, interested in meeting the new foreign ministers of the emerging democracies of Eastern Europe.

UK spells out cost of forces in Germany

By David White, Defence Correspondent, in London

DEFENDING the central front in West Germany is costing the UK almost as much as it spends on defence of its own territory and its naval operations in the eastern Atlantic and the Channel put together.

This is made clear in a breakdown of the costs of Britain's main defence commitments, contained in a policy document on planned expenditure released by the UK Government yesterday.

The paper gives fuller details of Britain's spending plans for the financial years from 1990-91 to 1992-93, agreed at the time of the Autumn Statement last November.

It confirms that general government expenditure, less privatisation proceeds, is set to rise to £215.4bn ($362bn) and account for 38 per cent of UK gross domestic product in 1990-91, compared with an estimated £200.7bn or 38.75 per cent of GDP in the current financial year to the end of March.

The figure for Britain's commitment in West Germany - which is enshrined by the treaty governing the nine-nation Western European Union - is likely to play a prominent part in the growing debate about the future of the 69,000 British servicemen stationed there.

The figures include manpower, the procurement and operating costs of equipment, and capital works, as well as a share of the cost of general support.

The cost of the British Army of the Rhine and RAF Germany, including reinforcements, and the UK military contingent in West Berlin is put at £4.35bn for the current financial year, making by far the largest single defence commitment.

Maritime operations in the Atlantic and Channel regions were costed at £2.59bn, and defence of the "home base" at £2.15bn.

Against these costs, Britain is estimated to be spending £1.16bn a year on its strategic nuclear deterrent - its Polaris missile-carrying submarines and work on their Trident replacements.

The figures also reveal that the cost of defending the Falkland Islands, at £73m, is less than Britain currently spends on its garrison in Gibraltar (£82m) or its presence in Cyprus (£94m).

The paper points out that the costs "would not necessarily all be saved if the commitments were abandoned."

It reaffirms plans to raise Britain's total defence spending to £23.43bn in 1992-3, compared with an estimated outlay for the current year of £20.21bn.

Britain cuts spending on EC agriculture, Page 9

Tumbling bond prices push 'deal' stocks lower

By Anatole Kaletsky in New York

COLLAPSING confidence among takeover speculators and rumours of financial pressures on some arbitrage funds yesterday sent "deal stocks" tumbling on Wall Street for the second day running.

The almost chaotic conditions in the takeover market were described as "the other shoe dropping," after the collapse of junk bond prices which began last autumn and reached a climax this week.

Yesterday the junk bond market appeared to be stabilising and sentiment seemed to be improving among equity investors. But attempts by some arbitrageurs to liquidate their heavily loss-making positions in companies like UAL, Hilton Hotels and Holiday Corporation, were met with what one trader described as a "buying vacuum". This caused a free-fall in prices which took many takeover stocks down by five to 10 per cent within minutes of the opening bell.

The worst hit stock was UAL, the parent company of United Airlines, whose aborted leveraged buy-out precipitated the stockmarket's "mini-crash" last October. UAL shares fell another $16¾ to $120½ in heavy trading. This meant that UAL's stock had fallen 25 per cent in the last three days of trading.

Hilton, whose board was meeting yesterday to consider its response to disappointing bids for its hotel and gaming properties, was the next biggest loser, falling $2¼ to $57¾, for a total fall of about 15 per cent in the last week.

MGM-UA, the movie company which has been on the auction block for most of the past year, lost 10 per cent of its market value in a few hours.

Arbitrageurs referred to "across the board liquidation" by some of their number and said that there were signs of some forced sales by over-extended investors. The sharp falls in UAL stock in particular, may have led brokers to press speculators for more margin funds to support their underwater stock positions.

However, Mr Laszlo Birinyi, of stockmarket analyst Birinyi Associates, said that only limited liquidation was going on. His calculations suggested that much of the forced selling appeared to have been done on Monday.

Yesterday's even steeper price falls were more attributable to the absence of buyers than the pressure of sellers. Market watchers agreed that the collapse of takeover stocks was closely related to the plunge in the junk bond market which followed last week's decision by Moody's Investors Services to downgrade the bonds of RJR Nabisco.

This latest fall, which has pushed RJR's cash-paying bonds down by 12 per cent in the last four days, was expected to make financing very hard to come by for takeovers and other leveraged restructurings. While junk bond analysts said the market had over-reacted to Moody's announcement, several agreed that RJR bonds might not recover benchmark status.

See Lex; International bonds, Page 23

THE LEX COLUMN

The growing pain of big companies

The real puzzle in the CBI's quarterly trends survey is why large companies have suddenly become so pessimistic. On exports, companies with more than 5,000 employees report a sharp deterioration in both orders and confidence; small companies are experiencing increases. Domestically, large companies note a particularly sharp fall in demand; small companies see a levelling off.

Those findings run counter to received wisdom that smaller companies have been suffering more than large. The argument has been that small companies are narrowly focused by product and geographically, and are thus more exposed to a UK economic downturn. Such was the experience throughout 1989, with small companies underperforming in terms of results and share prices.

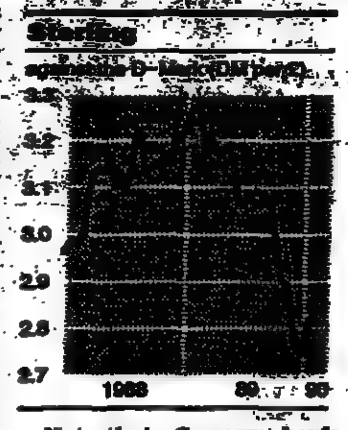
Another element in the puzzle is the role played by the overseas subsidiaries of large companies. If demand is falling in the UK, one would expect manufacturers to switch investment to overseas markets. But there would surely come a point at which it became efficient to use underutilised UK capacity to make goods for export to strong overseas economies.

Perhaps small companies are simply a more sensitive barometer of economic change. They were the first to experience the slowdown; large companies are feeling the effect later in the cycle. On that basis, the more optimistic noises from small companies are a sign that the slowdown will be short-lived. It is possible that the CBI figures are anomalous, being based on a large company sample of just 28. If they are not, the coming results season will contain bad news from more surprising sources than Coloroll or Laura Ashley.

Deutsche Bank

After the Morgan Grenfell purchase, it was no great surprise that Deutsche Bank should make a call on shareholders again, whether or not the Frankfurt rumour mill was right to think it wants to buy a medium-sized French retail bank. So yesterday's news of Deutsche's new DM1.6bn rights issue is not the story; the important thing is the higher than expected 16.7 per cent dividend increase. It looks like a confirmation of hints from Mr Herrhausen last year that Deutsche wanted to give shareholders some short-term rewards, as well as lots of long-term global empire building.

Sterling



Not that German bank shares will become fodder for income funds overnight. On the theoretical ex-rights price of DM804, Deutsche's DM14 dividend for 1989 gives a yield of just 1.74 per cent. For the foreseeable future, Deutsche's attraction will be that it can offer a cheap and easy way to buy the German equity market as a whole; its publicly-disclosed investment portfolio of industrial holdings may be worth DM690 per share.

That and the buoyant West German economy explain the 60 per cent rise in the group's share price in the last 12 months. But the dividend increase may protect that capital appreciation; and with analysts expecting a 15 per cent rise in underlying earnings per share in 1990, there is no reason why Deutsche should not raise the dividend by one-sixth again in 12 months' time.

US arbitrageurs

As long as the US arbitrage community could bid up stocks like UAL, Hilton and Sea Containers on the slightest whiff of a deal, it was hard to be too bearish about Wall Street's immediate prospects. But the confidence of these risk-takers, or at least their bankers, seems finally to have snapped. Hilton shares have fallen by almost a third since the start of the year; UAL shares, which were already depressed after the collapse of last October's $300 a share management-led buyout, [illegible] cent.

Over the last couple of days the arbs have even been bailing out of Sea Containers, which seemed to have agreed to sell the bulk of its business to two well-financed suitors. Unless Sea Containers' Mr Sherwood is going to do a complete about-turn, which is not totally impossible, this reaction does not make much sense. However, US banks are becoming increasingly nervous, enforcing tougher margin calls on the arbs. The latest downward lurch in the US junk bond market is another sign of the worrying decline in the liquidity of the US financial markets. This can only have a damaging effect on US corporate asset values and remove one of Wall Street's firmer props.

Elf

Elf Aquitaine, Europe's third biggest integrated oil major, may be far less highly valued than its peers; but it has a new chairman who is committed to improving its rating. His first task was easy. Yesterday's massive FFr[illegible] provision for the Texasgulf investment, which marred an otherwise impressive set of 1989 results, is an overdue admission that Elf's overseas acquisition record has been disastrous. The next steps will be far more difficult. The breakup of the state-owned Orkem means that Elf is getting far more heavily involved in chemicals at a difficult stage in the cycle. The ambitious commitment to increase oil reserves suggests that Elf might just be foolish enough to overpay for Enterprise. The possible purchase of Amoco's downstream operations in the UK makes more sense. But on a prospective multiple of little more than six times, Elf cannot be seen to overpay to satisfy its ambitions.

Beazer

Yesterday's 4 per cent drop in Beazer's share price in response to a mere £29m write-off might seem excessive in the context of net debt of over £1bn. But it is unsettling to hear of the demise of an Australian investment whose existence could not have been inferred from the group accounts. Nor does it help to be reminded that Beazer's investments - from its purchase of French Kier and Gifford-Hill to its flutter in Blue Arrow shares - have proved disappointing more often than not.

The steep decline in the share price has been partly reversed in the past three months, chiefly because of Lord Hanson's demonstration through the sale of ARC's US assets of the value of US aggregates. And indeed, on a historic multiple of 5.7 times - the sector average being eight - Beazer is not highly rated. But unpleasant little surprises like yesterday's scarcely help to restore the group's credibility in the eyes of the market.

Agreement on tariff cuts breaks deadlock

INTERNATIONAL trade officials agreed yesterday, after more than six months of bargaining, on a compromise procedure to negotiate import tariff cuts, agencies report from Geneva.

A series of intensive private consultations at the 105-nation Uruguay Round of world trade talks produced an accord which was adopted at a formal meeting of a group negotiating on tariffs, said a spokesman for the General Agreement on Tariffs and Trade (Gatt).

The deal unblocks a stalemate between the US and the European Community and clears the way for an accord on tariff reductions to be signed when the current round of Gatt negotiations ends in December.

Under the procedure all participating countries will submit proposals for reducing, eliminating and binding tariffs on imports by March 15. Binding a tariff means fixing it at a level above which it may not be increased without offering another trade concession as compensation.

Negotiators will then meet in April to discuss whether the proposals are sufficient to achieve an overall reduction of 30 percent in a nation's tariffs. The 30 per cent target was agreed by trade ministers in 1988.

The compromise approach allows the 96 members of the Geneva-based Gatt to select their own method of cutting tariffs, one of the main ways of protecting domestic industries from foreign competition.

The US had wanted to negotiate reductions on an individual product sector basis, including agriculture. Its proposed "request and offer" method would allow it to ask for tariff cuts on given products, and offer to lower one of its own for each reduction.

The US argued that most of its tariff rates were already low. But some other countries held that Washington's approach reflected a desire to protect sensitive industries, such as textiles, where the US tariff is still relatively high.

The EC had pressed for across-the-board tariff cuts for industrial products, saying this would prevent countries from keeping high levels of protection in individual sectors. However, the EC has insisted that agriculture should not be included in this package.

The Gatt spokesman said the agreed procedure allowed countries either to use a formula approach in their offers, or to table individual offers and requests. Although not ideal, it was the best way, given the political and economic constraints and limitation, he said.

Violence erupts during S Africa cricket tour

Continued from Page 1

called the "strong-arm" tactics of the past, and allow peaceful political protest. The clashes highlight the difficulties Mr de Klerk may find in getting police to follow his order issued earlier this month to keep out of politics.

Mr de Klerk is due to make a policy address at the assembly opening, although government officials have recently tried to dampen expectations that a comprehensive package of political reforms will be announced.

It remained unclear yesterday whether Mr de Klerk would announce on Friday the release of Mr Nelson Mandela, jailed leader of the African National Congress. Last-minute problems are understood to have arisen about the expected release of Mr Mandela, although he still seems likely to be freed very soon.

BCCI had 'policy on drugs money'

By Tom Brennan in Tampa

THE Luxembourg-registered Bank of Credit and Commerce International operated a corporate policy from the highest levels of the bank to take as many deposits as it could without being "too choosy" where they came from, a prosecution lawyer said yesterday in a US drugs laundering trial.

Mr Michael Rubenstein, an assistant US attorney, opening the prosecution in Tampa, Florida, against five BCCI officers accused of helping to launder some $14m of cocaine proceeds, said that the bank began handling drug money "because that's where the action was, in Colombia and Panama."

"It was a clear, well-defined corporate policy from the highest levels of BCCI to take as many deposits as they could and not to be choosy where it came from," he said.

Mr Rubenstein said the five BCCI bankers on trial did not make any personal profit but laundered the drug money to advance their careers. "Their career goals were more important to them than the laws of any country," he said.

Charges of drug trafficking and laundering against the BCCI parent were dropped at the start of the trial two weeks ago in return for guilty pleas to drug laundering from two of its subsidiaries, BCCI SA, of Luxembourg and BCCI (Overseas), of Grand Cayman, and an agreement to forfeit $14.8m, equivalent to the amount laundered with interest.

The plea agreement also ensures the bank's co-operation with investigations into other matters. The US Government is particularly interested in accounts held for the family of Gen Manuel Noriega, the deposed Panamanian leader.

US slowdown 'temporary' Greenspan says

Continued from Page 1

chances of recession had declined since last spring. He said both probabilities were much smaller than occurred at the start of each of the four recessions since the late 1960s.

He said the current slowdown respresented, "at least to an extent, a pause in the accumulation of physical assets, a form of inventory correction, so that levels of ownership do not get too far ahead of the long-term desired levels." He noted both that the number of cars assembled in January may fall short of a 4.5m unit annual rate (against a 7m unit rate in 1989) and that sales had picked up this month.

He suggested that lower sales were "at this point likely to reflect primarily replacement needs and growth in the driving age population."

He also saw many bright spots such as the backlog of orders for civilian aircraft

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	12	54	Dubrovnik	R	12	54	Malta	C	15	59	Rhodes	F	16	61
Algiers	F	18	64	Edinburgh	F	7	45	Manchester	C	9	48	Rio de J'o	S	38	101
Amsterdam	R	9	48	Faro	F	16	61	Manila	F	31	88	Rome	R	13	55
Athens	C	16	61	Florence	C	12	54	Melbourne	S	30	86	Salzburg	C	3	38
Bahrain	S	16	61	Frankfurt	C	7	45	Mexico City	F	23	73	San Francisco	[illegible]	[illegible]	[illegible]
Bangkok	F	33	91	Funchal	F	18	64	Miami	S	23	73	Seoul	Sn	1	34
Barcelona	S	14	57	Geneva	C	7	45	Milan	C	9	48	Singapore	F	30	86
Beirut		—	—	Gibraltar	F	15	59	Montreal	Sn	-2	28	Stockholm	C	3	37
Belfast	S	7	45	Glasgow	C	7	45	Moscow	Sn	0	32	Strasbourg	F	9	48
Belgrade	S	17	63	Guernsey	F	10	50	Munich	C	5	41	Sydney	F	25	77
Berlin	S	6	43	Helsinki	C	0	32	Nairobi	C	24	75	Taipei	R	19	66
Biarritz	S	15	59	H. Kong	C	17	63	Naples	R	12	54	Tangier	F	14	57
Bombay	S	31	88	Innsbruck	F	8	46	Nassau	C	27	81	Tel Aviv	S	18	64
Bordeaux	F	14	57	Inverness	F	7	45	New Delhi	S	18	64	Tenerife	F	19	66
Brussels	C	10	50	Islamabad	F	21	70	New York	F	5	41	Tokyo	C	10	50
Budapest	C	7	45	Istanbul	C	12	54	Nice	F	13	55	Toronto	S	-6	21
B. Aires	F	33	91	Jakarta	C	29	84	Nicosia	S	16	61	Tunis	F	16	61
Cairo	S	21	70	Jersey	C	10	50	Oporto	C	14	57	Valencia	S	16	61
Cape Town	S	26	79	Jo'burg	C	23	73	Oslo	C	4	39	Venice	Fg	9	48
Caracas	R	26	79	Lima	C	25	77	Paris	C	10	50	Vienna	C	7	45
Casablanca	F	15	59	Lisbon	F	15	59	Peking	F	-2	28	Warsaw	C	1	34
Chicago	F	2	36	London	F	11	52	Prague	C	1	34	Washington	F	5	41
Cologne	C	9	48	Los Angeles	C	11	52	Reykjavik	C	3	37	Zurich	F	7	45
Copenhagen	S	5	41	Luxembourg	C	6	43								
Corfu	C	16	61	Madrid	S	9	48								
Dallas	S	7	45	Majorca	F	15	59								
Dublin	S	9	48	Malaga	S	15	59								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bonn set for export call

Continued from Page 1

tary application - especially in the Soviet Union - and the US security services complain that digital telecommunications makes eavesdropping more difficult.

Currently some digital switching is allowed into the east bloc but most is banned. Even the West Germans accept that the higher level Integrated Systems Digital Network technology should remain banned.

The US stresses it has already accepted the export of more sophisticated machine tools, and now looks likely to agree to liberalise 32-bit computers. The previous limit was 16-bit.

Bonn officials say the move on computers is helpful and has been aided by a strong lobby in the US and the interest of the US financial services industry in establishing itself in the east bloc. But Bonn will continue to push on telecoms and machine tools saying that the new strategy agreed two years ago to establish "higher walls around fewer items" has been only half-heartedly put into action and that the US has been placing all the emphasis on stricter policing

FINANCIAL TIMES

COMPANIES & MARKETS

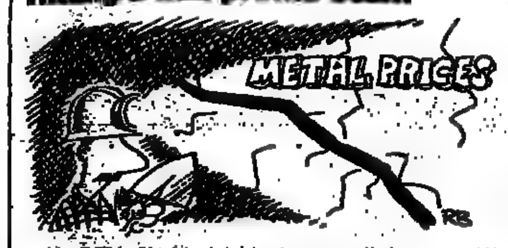
Wednesday January 31 1990

INSIDE

Go East, young German banker

The rocketing interest in co-operation between companies on the two sides of the East-West German divide after last year's political upheavals are having their repercussions on West German banks. Most have announced plans for new operations in East Germany — Dresdner Bank has opened an office in its "home town" Dresden with some fanfare — but the real source of interest, and potential, is in financing the growing two-way trade and joint ventures in the offing. Many West German banks have plenty of money to lend and most are looking to the East for untapped potential. Heig Simonian reports. Page 19

Hitting a thin profits seam

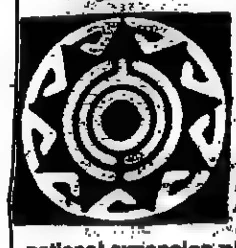


One Canadian base metal producer after another has been closing mines and laying off workers this month, as falling metal prices and the slowdown in the leading industrial economies squeeze the mining industry. However, by taking prompt action to prevent an expensive build-up of stocks and to hold down operating costs, producers hope to avoid problems such as those faced during the mining recession of the early 1980s. Page 28

Insured for success

Scottish unquoted investment group ESII has many strings to its bow, including skiing, waste disposal, structural steel engineering and printed circuit board manufacture. Now it is attempting to add insurance to its quiver through a hostile £11.8m bid for Saltire Insurance Investments, a fellow Edinburgh investment trust. Irrespective of whether the bid succeeds or fails, ESII intends to seek investment trust status this year, Mr Michael Munro, head of ESII, tells James Buxton and David Owen. Page 25

No pain, no gain



Construction company Kumagai Gumi mixes unconventionality with success. Despite the fact that margins are greater in the domestic market and that its profits tend to rise as a percentage of capital when the ratio of overseas work falls, it is continuing with its international expansion plans. Kumagai's philosophy, writes Robert Thomson, is "no pain, no gain." Page 21

Day of the bear recedes

Istanbul's emerging stock market, the IKMB, appears to be on the path back to the bull run it experienced earlier this month, after the setback caused by a dummy share scandal involving market leader, Cukurova Elektrik, and a botched terrorist bomb attack. Jim Bodgener reports. Page 40

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BASF	307.3	+	9.3
Bayer	314.5	+	9
Deutsche Bab	714	+	7.7
Hapag Lloyd	480	+	30
Falls			
Daimler-Benz	828	−	8
Nixdorf	277	−	8.1

NEW YORK ($)			
Rises			
Boeing	58¼	+	⅞
Falls			
Hilton Hotels	57¾	−	2¾
Holiday Corp	58	−	1½
MCI Comms	31¼	−	3⅛
MGM-UA	11	−	1¼
UAL	120½	−	15¾

PARIS (FFr)			
Rises			
BP France	193	+	10
Fromageries Bel	2400	+	126.4
Radiotechnique	609	+	22.8
Falls			
Carrefour	3315	−	85
Casino	164	−	22.2
Printemps	675	−	5

TOKYO (Yen)			
Rises			
Ask	1380	+	200
Kyowa Elect	1660	+	200
Nihonbashi Ware	1490	+	200
Sanwa Soko	1240	+	140
Silver Seiko	1030	+	109
Tokushu Paper	1320	+	120

LONDON (Pence)			
Rises			
GRE	253	+	8
Laing Prop	595	+	15
Lloyds	296	+	5
LASMO	610	+	12
Prudential	225	+	5½
Sainsbury (J)	264	+	5
Scot & New	330	+	5
Sun Alliance	319	+	6
THORN EMI	786	+	10
Falls			
AIM	220	−	55
Beazer	157	−	7
ICI	1078	−	16
Slough Ests	311	−	7
Smith W.H.	321	−	9
Sock Shop	58	−	11
United News	406	−	16

Elf earnings fall after $600m US writedown

By George Graham in Paris and Steven Butler in London

ELF AQUITAINE, the French state-controlled oil group, said yesterday it would take a $600m charge on Texasgulf, its US fertilisers subsidiary, dragging net profits last year down to an estimated FFr7bn ($1.12bn), less than the FFr7.2bn it recorded in 1988.

Mr Loïk Le Floch-Prigent, Elf's newly appointed chairman, said Texasgulf made $85m last year and was a substantial contributor to the group's cash flow.

However, he had decided to write down the value of the assets to take account of new production and price forecasts for Texasgulf's phosphate and soda ash reserves. The charge will reduce the book value of Texasgulf, of which Elf owns 85 per cent, to about $1.2bn.

Elf and Amoco, the US oil company, also announced that they had entered negotiations for the purchase by Elf of Amoco's UK refining and marketing business.

Amoco's downstream UK business — which includes a 70 per cent interest in the Milford Haven refinery in Wales and about 250 petrol stations, accounting for some 2 per cent of the UK petrol market — has been up for sale since September.

However, a number of potentially interested buyers, including Kuwait Petroleum and British Petroleum, were understood to have been put off by the price. Analysts say the operation could be worth some £300m ($494m).

Elf has been expanding its presence rapidly in the UK, particularly in oil exploration and production. It has about 2.3 per cent of the UK retail market for petrol, but lacks refining capacity.

Elf's group sales rose 16 per cent to FFr146bn in 1989 and the group increased its gross cash flow in 1989 to FFr23.5bn, from FFr20bn the year before. Without the write-off on Texasgulf, Elf would have recorded a 39 per cent gain in net profits to around FFr10bn.

Oil exploration and production activities nearly doubled their net profits, while refining and distribution activities returned to the black.

Chemicals earnings remained stable, while the pharmaceutical and beauty product division recorded a 20 per cent gain in operating income.

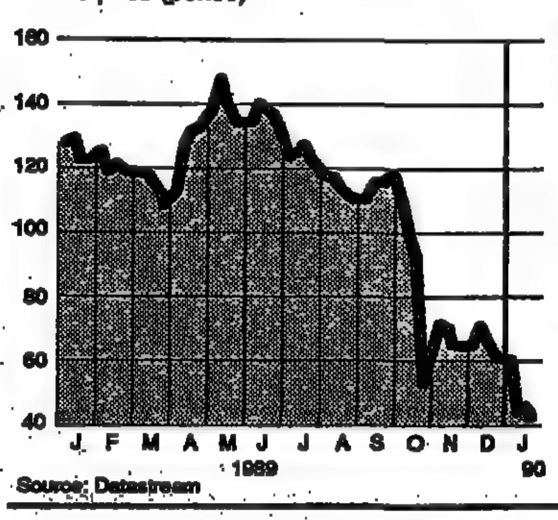
Mr Le Floch-Prigent said Elf had fixed as part of its strategy the goal of internationalising its downstream activities, which are very French in character. He said the Amoco purchase would bring Elf to the level of market penetration necessary to achieve significant economic advantages in the UK and Elf would aim to reach the same sort of share in other European markets. Upstream, Mr Le Floch-Prigent said that Elf was aiming to increase its proven reserves of oil and gas by 25 per cent to about 500m tonnes oil equivalent and to diversify its reserves, now largely in the Gulf of Guinea and in the North Sea.

He said the group had acquired 60m tonnes oil equivalent of reserves in Nigeria last year and made promising discoveries in Gabon and Angola, besides finding encouraging exploration zones in Syria.

Elf also announced that Sanofi, its pharmaceuticals and beauty products subsidiary, had acquired Continental Flavors and Fragrances, a small US producer of flavourings.

Lex, Page 16

LIT Holdings
Share price (pence)



Source: Datastream

Christopher Castleman

It can be cold when you're naked in the Windy City

Deborah Hargreaves on option trading troubles at LIT

Within weeks of taking over as chief executive of LIT Holdings, the transatlantic futures clearing firm, Mr Christopher Castleman was faced with a $9m loss by three Chicago traders using an esoteric but risky market strategy. The trading loss, which virtually wiped out LIT's profit for the second half of last year, is put down to "gross incompetence" by an overseer at the firm's Chicago options division.

Even the brusque Mr Castleman's reputation for toughness is being tested at LIT, where breakneck expansion over the past three years has not been matched by hands-on management.

The obscure commodities firm which has grown into one of the world's largest clearing organisations for futures and options is a far cry from Mr Castleman's background as chief executive of Hill Samuel, the merchant bank. He briefly joined *Blue Arrow*, the troubled recruitment agency, after his resignation from Hill Samuel over the company's decision to pursue merger talks with Union Bank of Switzerland.

Mr Castleman moved quickly to grasp the arcane principles behind the writing of "naked put" options which caused the October loss and saw the stock market knock 90p off LIT's 110p share price.

Selling naked put options is considered dim even in the high-risk frenzy of Chicago's commodity markets, since it compels traders to buy back stock at a certain price — in LIT's case after the price had fallen considerably lower on the stock market.

In fact, LIT said the one thing it had learned from 1987's stock *market crash* was to stop the traders who reported to it selling naked put options. Mr Castleman now says he will tighten controls to try to ensure that the same thing does not happen again.

However, although UK managers have threatened legal action against the person responsible for overseeing options trading in Chicago, he was fired only last Friday. He had been waiting to be sacked for the previous three months, according to one Chicago trader, and is unaware of any litigation.

Mr Castleman has tried to tighten up on the management of LIT's futures clearing operations in Chicago, which still account for over 60 per cent of the company's profits. But many Chicago employees consider him a novice to the markets, with only a superficial grasp of the esoteric futures and options instruments.

LIT's heavy reliance on its US futures and options division has left it vulnerable to the often extreme volatility of the derivatives markets.

This has scared the few analysts who take an interest in the firm and who are now valuing it at a small premium to net asset value rather than on earnings.

LIT is expected to report poor earnings in March and is unlikely to pay a dividend before the end of the year. The firm's stock price has tumbled from a peak of 161p in late 1988 when it acquired Johnson Fry — a corporate finance house best known as a leading sponsor of Business Expansion Schemes — to a current 43p.

Even Mr Castleman admits that investors in the company have had a poor experience. "The only way to improve the stock price *is with no gimmicks or* fancy tricks, but by solid recurring profits — year-on-year — which this company has never had."

What LIT needs most is cash to finance the debt and deferred payments — likely to run to £3m ($4.8m) for this year — incurred on its breakneck expansion course pursued by Mr Michael Middlemas, its former chairman. Mr Middlemas resigned last year in frustration at being forced to curb his ambitions for the company.

Mr Castleman is now unwinding part of Mr Middlemas's strategy in a group restructuring that has so far involved the sale of the company's 33 per cent stake in the Levitt Group, a personal finance firm which offers advisory services in investment and life assurance. But in selling the holding back to Mr Roger Levitt, the group's founder, LIT received £1m less than the £17m it paid him in 1988.

With no other big divestments planned — aside from some property sales — Mr Castleman's rationalisation plan is likely to leave the stock market unimpressed. He says he will keep the group's structure under review, but analysts believe he needs to sell off more assets to fund the company's high bank borrowings.

It was in a bid to balance the group's dependence on its US divisions that Mr Middlemas embarked on his course of UK acquisitions in 1987. After paying what analysts consider "a very full price" for Johnson Fry, LIT spent £60m on Jersey General Investment Trust, a local fund management operation, in June 1988. This was followed by purchases of the smaller Asset Trust for £14m and Ashburton Trust for £6m — both fund managers.

The UK operations have yet to live up to expectations and have so far provided few of the synergies Mr Middlemas was seeking. In addition, LIT still has around £3m to pay in deferred liabilities on its UK acquisitions, which it hopes to fund from US profits.

However, LIT is facing other claims on its US profits. Three top directors in Chicago's Goldberg Organisation are threatening to sue the company for some $16m in profit-linked deferred payments they were promised when LIT took over the firm after the *1987 stock market crash*.

LIT bought Goldberg, one of the largest and best-known commodities firms in the Chicago futures community, for its book value of $24m, but committed itself to the profit-related payments over the following five years.

LIT is now a dominant force on the Chicago Board of Trade — the world's largest futures exchange — where it processes 24 per cent of all trades. In addition, it is one of the largest programme traders on Wall Street, where it benefits from not coming under restrictions imposed on New York Stock Exchange securities firms, and is developing a sizeable foreign exchange operation.

But the family-firm culture dominant in Chicago's close-knit futures industry sits uneasily with the corporate bureaucracy developed by LIT. Morale has reached a nadir in Chicago where employees feel increasingly distant from the firm's day-to-day management. At least one senior manager and several traders have defected to rival operations and LIT's customer base is being eroded.

LIT's trouble in taming Chicago highlights the difficulties in expanding boutique brokerage operations across national boundaries. Mr Castleman is now intent on building up the company's UK corporate and personal finance activities in a bid to improve LIT's structure, but this will be to no avail if, in doing so, he strangles the golden goose in Chicago.

US hearing officer says Hoylake, not Axa, is main issue

By Nikki Tait in Chicago

ILLINOIS has given a clear signal that Hoylake, the consortium formed by Sir James Goldsmith to bid for BAT Industries, is the biggest impediment to necessary regulatory clearances of the proposed sale of BAT's US insurance subsidiary to Axa-Midi Assurances of France.

The state hearing officer, Mr Seymour Simon, described the possibility of Hoylake acquiring BAT but failing to sell on Farmers Group to Axa as "the most important discussion."

Mr Simon, a retired state supreme court justice, will make a recommendation to the Illinois insurance department whether the potential transfer should be allowed. Hoylake and Axa need clearances in nine states.

Hoylake and Axa have argued that there is a watertight agreement that ensures Farmers will pass speedily into Axa's hands if Hoylake gains control of BAT. This is strongly denied by Farmers' lawyers, who maintain that there could either be a lengthy delay before the transfer or that it could fall through.

Mr Simon said that, despite the best efforts of Farmers' lawyers to suggest otherwise, "Axa is going to show a lot of assets — it is not a slouch company." He added later that his mind was not already made up on Axa's suitability.

The hearing officer went on to stress that what was going to bother him and the insurance department was the "crate of horribles" conjured up by Farmers' lawyers — situations whereby the handover did not proceed smoothly. "I'm sure the Illinois insurance department doesn't want to have suits against Hoylake," he remarked.

It was also revealed yesterday that Citicorp, the large US bank, and Japan's Sumitomo Bank were among those who approached Axa with potential funding for its $4.5bn purchase of Farmers.

Citicorp's name was given reluctantly by Axa, which alleged that BAT had been threatening not to do business with any bank that became involved in its transaction.

In London, BAT said it had important relationships with many banks, out of which they "made good money." It denied strong-arm tactics but confirmed that it would not do future business with anyone who became involved in the Axa/Hoylake transaction. Ironically, both Citibank and Sumitomo were lead-managers on BAT's $3.5bn loan facility to fund its purchase of Farmers in 1988.

Deutsche Bank to raise DM1.66bn

By Katharine Campbell in Frankfurt

DEUTSCHE BANK, West Germany's largest commercial bank, is taking advantage of the continued buoyancy of the German stock market to seek DM1.66bn ($990m) in a one-for-17 rights issue at DM600 per share. The bank's last rights issue was exactly a year ago, when it raised DM1.28bn.

Any market impact of yesterday's announcement, which came after the close of the official Frankfurt bourse, was largely offset by the forecast of a DM2 increase in the dividend to DM14 for the 1989 financial year. At the same time, the supervisory board announced the appointment of Mr John Craven, chairman of the recently acquired UK investment bank Morgan Grenfell, to the managing board.

Mr Craven is the first non-German director on the Deutsche board, but his precise responsibilities are yet to be defined in the general reshuffle of constituencies in train since the murder of Mr Alfred Herrhausen, chief executive, in November.

Meanwhile, Deutsche gave little away as to the likely destination of the new funds, characterising the capital increase only as one that was "forward-looking," and which would give the bank flexibility as future business opportunities arose.

Yesterday's dividend forecast, coming at the upper end of the market's expectations, was made on the strength of expected record profits, excluding extraordinary items, for 1989.

Partial group operating profits for the first 10 months of 1989, at DM3.18bn, represented a 33 per cent increase on the corresponding period in 1988.

While Deutsche shares had slipped DM4 to close at DM812 in the official market session on rights issue rumours, one Frankfurt trader explained how the dividend increase had been sufficient to put around DM5 back on the shares in the later over-the-counter session.

Also voted on to an expanded 13-member managing board was Mr Carl-Ludwig von Boehm-Bezing, director of the Frankfurt branch of Deutsche, as deputy director. Mr Michael Endres, Mr Juergen Krumnow and Mrs Ellen Schneider-Lenne were promoted to full directorships.

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Australian collapse hits Beazer of the UK

By Ray Bashford in London and Chris Sherwell in Sydney

BEAZER, the UK housebuilding and construction company, has made a £29m ($49m) provision against its investment in an Australian developer and contractor which collapsed yesterday with debts of A$500m ($385m).

Girvan Corporation, based in Sydney, went into receivership following the failure of a last-ditch attempt to restructure the group and reduce its exposure to the depressed Australian construction and property development market.

The Commonwealth Bank of Australia and the State Bank of New South Wales are two of Girvan's principal creditors.

The company gained a listing a month before the October 1987 stock market crash and, with the shares at a peak of 125 cents around the time of the flotation, was valued at A$440m. The shares were selling last week at 4 cents.

The Australian group's ability to survive was the subject of months of speculation as the property market turned down in response to high domestic interest rates.

Property companies, including Hooker Corporation and Chase *Corporation*, have been among the main victims of the corporate malaise which has also claimed the Qintex media and resorts empire and the Linter textiles group. Beazer acquired the 14.5 per cent holding in Girvan in early 1988, as a preparatory move to an increased involvement in the Australian market. The £29m provision — which will be included as an extraordinary item in Beazer's interim results to be announced in mid-March — will cover the full cost of the investment as well as associated costs.

In a statement to the Sydney Stock Exchange, Girvan said a meeting of its principal bankers and a leading shareholder — believed to be Mr Paul Petersen, who has slightly over 50 per cent of the capital — reviewed various proposals to restructure the company.

"The participants were unable to reach agreement on any such proposal," the statement said. As a result, the board decided that the group should cease to trade and that Commonwealth Bank, as the main lender, should appoint a receiver to those companies for which it holds security.

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MCI shares plunge after worse than expected result

By Anatole Kaletsky in New York

MCI Communications, the second biggest US long-distance telephone company, announced worse than expected earnings yesterday, precipitating a sharp fall in its shares price.

Last year the company's shares were among the strongest performers on Wall Street. But after falling $3¾ to $30⅝ yesterday morning shortly after the results announcement, they had lost almost 25 per cent of their value in the past two weeks. The shares peaked at $48⅛ last October and were worth more than $40 earlier this month.

MCI said it earned $101m or 39 cents a share in the fourth quarter, compared with $115m or 46 cents the year before. The earnings reduction was due entirely to two non-recurring charges.

Excluding these charges, which related to early debt repayments and certain consolidation expenses, earnings per share would have been 63 cents, a 37 per cent improvement on the year before, the company said.

However, even this result was lower than many analysts had estimated. And an ambiguous comment about prospects for 1990 by Mr Daniel Akerson, the company's chief financial officer, apparently unnerved investors further.

Mr Akerson said that Wall Street was estimating 1990 earnings at $3 to $3.15 a share. He refused to endorse these estimates, but noted that the $3 figure would represent a 30 per cent advance over last year's earnings.

This comment was interpreted by some nervous investors as an indication that MCI's profits would come in at the lower end of the expected range.

MCI's full-year results showed net profits of $529m or $2.09 a share, compared with $334m or $1.23 in 1988. Annual revenues grew 26 per cent to $6.47bn. Fourth-quarter revenues were $1.71bn and revenue growth was down to 20 per cent.

The latest quarter's results included an after-tax extraordinary charge of $35m for the early retirement of $500m worth of MCI's bonds.

It also included a pre-tax provision of $35m for the consolidation of various engineering operations in Texas.

The profits announced in the fourth quarter of 1988 included a pre-tax gain of $12m from a legal settlement and an after-tax charge of $10m for debt retirement.

Mr Akerson said he expected this year's revenues to show a 20 to 25 per cent increase and traffic volume to grow by about 25 per cent. This would mean MCI continuing its market share gains, since the long-distance telephone industry as a whole would probably grow by about 10 per cent.

USX climbs 27.6% to $965m for full year

By Alan Friedman in New York

A STRONG improvement in operating income from its energy businesses and reduced debt servicing expenses helped USX overcome a decline in operating earnings from its steel holdings to turn in 1989 full-year net profits 27.6 per cent higher at $965m or $3.53 per share.

The US steel and energy group's fourth-quarter net income, helped by sharply lower interest charges, rose 54 per cent to $244m or 91 cents per share.

The results were achieved on full-year revenues of $18.7bn, up 10.7 per cent, and fourth-quarter sales of $4.88bn, also 10.7 per cent higher year-on-year.

Mr Charles Corry, chairman of Pittsburgh-based USX, said operating income from the energy divisions more than doubled to $987m last year. He also highlighted $370m of proceeds earned from asset sales last year.

Mr Corry said that "of particular importance is the improvement in our financial position," noting that financial obligations were reduced by $2.5bn.

In the energy business Marathon Oil achieved $862m operating profit on $11.2bn of sales, compared with $506m on $9bn in 1988.

The company's upstream (exploration and production) operations jumped dramatically to $363m operating income, mainly due to higher prices in the US and abroad.

By contrast, operating income from downstream (refining, marketing and transport) dropped to $405m in 1989 from $485m previously.

The steel business suffered a 14 per cent decline in last year's operating income to $430m, while revenues were down by $100m at $5.7bn.

The lower sales and income was attributed by USX mainly to the sale last spring of its Lorain, Ohio works.

Fourth-quarter steel earnings were $75m, against just $16m in the 1988 corresponding period.

This was partly a reflection of a special restructuring provision taken in the fourth quarter of 1988.

USX's diversified businesses made $46m in the final quarter, a drop from $105m in last year's period.

The full-year result from diversified activities was $120m, against $333m.

The company is proposing a dividend of 35 cents per share, unchanged on 1988.

Machinists' strike checks Boeing

By Roderick Oram and Paul Betts in Seattle

BOEING has reported sharply lower fourth-quarter earnings because of the "severe impact" of a 48-day machinists' strike which drastically curtailed deliveries of new airliners. It also suffered a big loss on its defence operations.

Net profits dropped to $77m or 34 cents a share from $174m or 76 cents a year earlier. Sales were flat at $4.85bn against $4.87bn. The results were lower than some analysts had forecast.

The strike over a new contract by Boeing's manufacturing hourly workers, members of the International Association of Machinists and Aerospace Workers, cost it $2bn in sales, the company said.

It had planned to deliver 328 jet airliners last year, but managed only 284.

"Higher than expected lump-sum wage payments" under the terms of the strike-settling new contract and the disruption costs of the stoppage "contributed to a substantial reduction in fourth-quarter operating earnings and interest income."

These factors also helped cut Boeing's cash on hand at the end of the year to $1.86bn from $3.96bn a year earlier. The funds are urgently needed to help finance the 777, a twin-engine aircraft Boeing hopes to launch soon to compete against the Airbus A-330 and A-340.

Net profits for the year ended December rose to $973m or $4.23, including a gain of $298m from the adoption of a new accounting standard. A year earlier it earned $614m or $2.68.

Sales were $20.28bn against $6.96bn.

Boeing's military business turned in an operating loss of $475m last year, more than double the loss analysts expected and up from about $100m a year earlier.

Last year Boeing received orders for 963 commercial aircraft. At year end its backlog of firm orders was worth $74bn, of which 92 per cent was attributed to airliners, against $46.7bn, of which 87 per cent was for airliners a year earlier.

The company plans to produce 455 commercial aircraft this year, comprising 383 Boeing jet airliners and 72 DeHavilland turboprop commuter airliners.

In 1989 it produced 284 jets and 58 turboprops.

Mr Frank Shrontz, chairman, said Boeing's key challenges this year were to achieve higher rates of output, improved productivity and orders to warrant the launch of the 777.

On the military side it hoped to improve the performance of some programmes and to combine successfully its defence and space businesses in one division.

Coca-Cola boosted by sell-offs

By Karen Zagor in New York

COCA-COLA, the world's biggest soft drink company, yesterday reported record earnings for the fourth quarter and year, in what the company described as the concluding achievements in a decade of outstanding growth.

For the December quarter, net income surged more than 200 per cent to $757.2m or $2.22 a share from $230.3m or 65 cents previously.

The results were bolstered by the sale of Columbia Pictures in November and the sale of the company's bottled water business last year. Excluding gains from these sales, net income in the latest quarter was 72 cents a share.

Operating revenues in the three months rose 11 per cent to $2.25bn from $2.03bn.

Earnings for the full year jumped 65 per cent to $1.72bn from $1.05bn. Earnings per share advanced 73 per cent to $4.92 from $2.85. Per-share earnings for the year, excluding one-time gains, increased 18 per cent to $3.35. Net operating revenues rose more than 7 per cent to $8.97bn from $8.34bn.

Roberto Goizeuta: company is well-positioned for decade

The company said operating income from its international soft drinks business grew 13 per cent in 1989. Volume sales in the EC grew 11 per cent while operating income advanced 16 per cent, due partly to increased distribution in France and the introduction of Sprite in Britain.

Unit volume grew 12 per cent in Latin America and 10 per cent in the Pacific and Canada. In contrast, volume in the US rose less than 3 per cent.

Mr Roberto Goizeuta, chairman and chief executive, said: "For the year, total return to our shareholders – stock price appreciation plus dividends – was 76 per cent. This is the highest return earned for our shareholders in 54 years."

The return on average common shareholders' equity was 38 per cent, excluding the Columbia gain.

"The company is extremely well-positioned to continue to achieve strong profitable growth in 1990 and for the remainder of the decade," Mr Goizeuta added.

BNE in humbling race for survival

Alan Friedman on a once-proud bank's breakneck rush to sell assets

A year ago the Bank of New England (BNE) and Mr Walter Connolly, its buccaneering chairman, were both still riding high.

The Boston-based commercial bank, with $31bn of assets and a striking reputation as one of America's "super-regional" institutions, seemed capable of weathering what appeared to be a passing indisposition in the north-eastern real estate market.

Recently, however, the bank's financial health has gone from bad to worse and then to just plain awful. The real estate crisis, one of the key features of the slide into recession in New England, has hit hard.

Losses and non-performing loans have jumped well beyond Wall Street's expectations and the Federal Reserve has stepped in to force $6bn of emergency asset sales.

Mr Connolly, who agreed in December to step down from the regional banking conglomerate he had assembled almost single-handedly, was finally ousted last weekend after a unanimous decision taken during a telephonic meeting of the 12-person board of directors.

Raw numbers, while not telling the entire story, serve to illustrate the disaster:

- BNE's share price stood at a hefty $23 at the end of the third quarter of 1989, making for a market capitalisation of $1.6bn. At yesterday's price of $4⅛ the bank's market value had been slashed to $285m.
- The bank's $2.25bn of non-performing loans at year-end represented 8.6 per cent of total lending and nearly a fifth of the real estate loan book.
- A fourth-quarter loss of $1.2bn and full 1989 loss of $1.02bn compared with a 1988 net profit of $281.7m.
- The bank's capital base has deteriorated to less than $500m, compared with total year-end assets that were down to $29bn. This makes for a dangerously thin 1.7 per cent capital ratio, compared with the 3 per cent required by regulatory authorities.

Among the questions being asked on Wall Street is how much blame to apportion to the real estate crisis and how much to the 61-year-old Mr Connolly, who went on an acquisitions and expansion spree as soon as he took control of BNE in 1985 after merging into it with his Connecticut Bank & Trust Company.

Mr Connolly could not be reached for comment, but the preliminary indications are that cautious management took a back seat to his ambitious drive to transform the bank into a super-regional.

BNE, America's 15th largest commercial bank, is now distinguished mainly by its breakneck race to sell assets, including a $828m deal this week that saw Citicorp gobble up the credit card division.

In some respects it is not so much the crisis as its speed which is striking. In mid-December, when it looked as though real estate problems were mounting, Mr James Sweeney, the executive vice president in charge of real estate lending, was "reassigned to other duties."

Then, after a dramatic board meeting, it was announced that Mr Connolly would step down as soon as a successor could be found. Just after Christmas the bank cancelled its regular quarterly dividend.

After New Year's Day the bank said it was selling its McCullagh fleet leasing business to GE Corporation, a deal which will net about $450m. And by the middle of January the Federal Reserve stepped in to order drastic management changes and asset sales.

Last week Mr Connolly faced every banker's worst nightmare, a good old-fashioned run on deposits. As a result BNE went to the discount windows of the Federal Reserve of Boston and borrowed an estimated $475m. It was under these circumstances that, last Friday, the board told Mr Connolly he had to go, immediately.

A senior Massachusetts-based BNE board member, who asked not to be named, claimed it was unfair to blame Mr Connolly for all the bank's woes.

Yet he added: "I think he [Connolly] had begun to feel he had lost credibility with US regulators, the local financial community and some depositors."

Mr H. Ridgely Bullock, a member of the bank's board, was named last weekend as interim chairman and chief executive in Mr Connolly's place.

He moved immediately to calm market fears.

On Monday Mr Bullock said he expected to receive bids for $1.3bn of home-equity loans by the end of this week. He also said the $6bn of asset sales, of which the home loans package was a part, were going "very well." In particular he mentioning the bank was moving forward on the sale of $3bn of commercial loans.

Mr Bullock admitted, however, that the bank was continuing to borrow from the Boston Fed, a sign that depositors were not yet convinced the rot had stopped. He also said the bank was exploring the sale or merger of the Connecticut Bank & Trust Company, ironically enough the institution from whence Mr Connolly originally came.

Now the state of the BNE is described by some Wall Street analysts as "touch and go." Mr James McDermott, of Keefe Bruyette, says it is too early to say whether the Federal Deposit Insurance Corporation will need to step in and take over the once-proud Boston institution.

"The survival of the bank depends very much on the management's ability to navigate the shoals of credit quality," he says.

That the new interim management is working exceedingly hard, with the close vigilance of the men from the Fed, is clear.

What is less certain is whether the shrinking and recapitalising of BNE can be achieved before it is too late.

Charges knock Control Data

By Anatole Kaletsky

CONTROL DATA, the struggling Minneapolis-based computer company, suffered another big loss in the fourth quarter as a result of further restructuring and asset disposal charges. Excluding non-recurring items, the company said it had been operating profitably for the past six months.

Control Data had a net loss of $196m or $4.63 a share in the latest quarter, including a pre-tax restructuring charge of $215m.

A year ago its net loss was $13m or 31 cents. The company said about half the charges related to VTC, a semiconductor subsidiary which Control Data expects to sell at a loss soon.

The rest of the charges were due to the closure or sale of various operating facilities in the US and overseas, as well as to writedowns of intangible assets.

Excluding the charges Control Data said it had been operating profitably in the past two quarters and that the latest quarter's result represented an improvement on the previous three months.

For 1989 as a whole Control Data reported a net loss of $680m or $16.11 a share, compared with a net profit of $2m or 3 cents in 1988.

The company's annual revenues fell by 19 per cent to $2.93bn, largely because of business disposals.

In the latest quarter revenues were $524m, 44 per cent down on the same period a year earlier.

Borden edges ahead in fourth quarter

By Karen Zagor

BORDEN, the diversified US producer of packaged foods, has reported a moderate increase in fourth-quarter earnings, although restructuring costs led to a net loss for the year.

Net income for the three months ended December 31 rose 7 per cent to $99.9m from $93.9m, while earnings per share increased 6 per cent to 67 cents from 63 cents previously.

Sales in the quarter slid nearly 2 per cent to $1.98bn, which the company attributed to a decline in its dairy division.

Earnings in the recent year were dragged down by an-after tax charge of $404.4m or $2.73 a share, established in the third quarter, for a reserve to cover the cost of restructuring programmes.

The New York-based company said the charge resulted in a loss in 1989 of $60.6m or 41 cents a share against net income of $311.9m or $2.11 a year ago. Sales in 1989 increased 5 per cent to $7.59bn from $7.24bn.

Excluding the one-time charge, income in the last year advanced 10 per cent to $31.9m.

Operating income in the fourth quarter reached a record $222.3m, up 6 per cent from 1988.

The company's grocery and specialty products division posted a 35 per cent gain in income for the 1989 quarter.

Operating income from its snacks and international consumer products division rose 6 per cent while that of the diary division fell 24 per cent. Sales for the division also fell.

Huntsman to join GE in Aristech bid

By Alan Friedman

HUNTSMAN HOLDINGS, a privately held plastics business, will join forces with the plastics subsidiary of General Electric of the US to make a bid of at least $878m or $27 per share for Aristech Chemical, a Pittsburgh-based maker of industrial chemicals, polypropylene and other chemical products.

The Huntsman-GE bid proposal would top an $844.5m or $26 per share offer from Mitsubishi of Japan and a group of Aristech managers. The announcement came just hours before Mitsubishi's bid was scheduled to expire last night.

Mr Huntsman, who first made a $25 per share offer for Aristech last October, was reportedly angry earlier this month when the Mitsubishi deal was announced as a management buy-out.

Mitsubishi would obtain overwhelming majority control of Aristech if its proposal were accepted. Mr Huntsman owns about 8.7 per cent of Aristech.

The Huntsman camp insisted yesterday it wanted more time for its bid to be considered and was, meanwhile, going ahead with a formal proposal to Aristech's board. The prospect now is for an auction that could drag on for several weeks.

Imasco expands fast-food side

By Robert Gibbens in Montreal

IMASCO, the Canadian financial services, tobacco and retailing group, is expanding its US fast-food business by buying the Roy Rogers restaurant chain for US$365m from Marriott Corp.

The deal is being conducted through the wholly owned Hardee's Food Systems, now the third largest hamburger chain in the US which operates 3,298 restaurants.

The Roy Rogers chain will add 600 restaurants – 363 company-owned and 237 franchised – in the Washington, Baltimore, Philadelphia and New York areas.

Imasco, 40 per cent owned by BAT Industries of Britain, said the acquisition would strengthen Hardee's position in a highly competitive market.

Hardee's and Rogers locations are complementary, with Hardee's concentrated in the south-east and mid-west and Rogers in the north-east. The Rogers units will be converted to the Hardee's name.

Hardee's has doubled in size since 1981 when Imasco bought full control, and for the nine months ended September 30 system-wide sales were C$3.1bn (US$2.6bn), revenues were C$1.3bn and operating earnings C$85.6m.

Rogers had revenues of US$165m in the first half of 1989, up 3.8 per cent on a year earlier.

Imasco said the impact on its earning in fiscal 1990 would be neutral, but positive in fiscal 1991.

Hardee's will finance the deal from internal resources and existing credit lines.

MacMillan Bloedel retreats

By Robert Gibbens

MACMILLAN Bloedel, Canada's leading forest product group, was hit by the high Canadian dollar and heavy newsprint price discounting in the fourth quarter of 1989. These factors far outweighed strong pulp markets and good results from timber and paperboard.

Fourth-quarter net profit was C$36.3m (US$30.7m) or 35 cents a share, down from C$69.9m or 68 cents a year earlier, on sales of $786m against C$801m. Earnings for all 1989 fell to C$233.5m or C$2.27 from C$316m or C$3.08 on sales unchanged at C$3.5bn.

Rising manufacturing and raw material costs, plus the start-up of three new sawmills, also affected the results adversely. The Canadian dollar rose 4 per cent against the US dollar during 1989.

MacMillan said newsprint prices had stabilised and the order backlog was good, but further price erosion could not be ruled out as more machines came on stream. Timber markets should continue strong and containerboard prices had stabilised.

- Kruger, a large privately held newsprint, coated paper and converted products group in eastern Canada, may take control of a C$140m hardwood pulp mill project in north-east Saskatchewan using a new "steam explosion" technology developed by Stake Technology of Toronto.

Setback at Canada Packers

By Bernard Simon

CANADA PACKERS, one of Canada's leading food processors, blamed difficult conditions in the meat industry and its British operations for a sharp drop in earnings in its third fiscal quarter, which ended on December 23.

Net income fell to C$4.6m (US$3.89m) or 12 cents a share from C$11.5m or 32 cents a year earlier. The 1988 figures included proceeds from property sales. Sales slipped to C$785.1m from C$852.9m.

In the 39 weeks to December 23, net income was halved to C$12.7m or 35 cents from C$24.5m or 67 cents.

Canada Packers recently announced no buyers had come forward for the controlling block of shares held by Toronto's McLean family, which was up for sale late last year.

The company said stiff competition for supplies of cattle and pigs had narrowed profit margins. The Canadian beef processing industry is going through a turbulent period, with the focus of the industry moving from Ontario to Alberta. Canada Packers, for instance, closed a cattle slaughtering plant near Toronto earlier this month and is now supplying Ontario from western Canada.

Foreign earnings were depressed by lower earnings from Britain's Haverhill Meat Products, in which Canada Packers has a 50 per cent stake. The company is in the process of selling this interest to its partner, J. Sainsbury, the UK food retailer.

Scott Paper's net income disappoints

ANNUAL results from Scott Paper, the Philadelphia-based group which is the world's largest manufacturer of sanitary tissue, were "disappointing," according to Mr Philip Lippincott, chairman and chief executive officer, writes Maggie Urry.

Excluding special items, earnings per share rose only 2.5 per cent from $4.01 to $4.11. It was the sixth consecutive year of record earnings.

Net income for the year fell from $400.9m to $375.5m, and for the fourth quarter was down from $80.9m to $71.6m. Fourth-quarter earnings per share were $0.97 against $1.05.

Annual sales were 7.2 per cent higher at $5.1bn, with fourth-quarter sales ahead by less than 1 per cent at $1.3bn.

The year's dull figures were in spite of "an outstanding performance" by the group's US tissue operations, which increased its earnings by 24 per cent.

Unocal tumbles into loss in final period

By Karen Zagor

UNOCAL, the big US integrated oil company, has reported a loss in the fourth quarter and a sharp drop in net profits for the year.

The Los Angeles-based company reported a net loss of $26m or 11 cents a share in the three months ended December 31, compared with net earnings of $141m or 60 cents a year earlier. Excluding a loss from discontinued coal mining operations, net income in the recent quarter was $66m.

Net revenues in the period were $2.85bn, up from $2.67bn previously.

For the full year Unocal reported net income of $260m or $1.11, against $480m or $2.06 on revenues of $11.36bn, compared with $10.15bn.

Mr Richard Stegemeier, chairman and chief executive, said 1989 earnings rose 24 per cent when adjusted for significant extraordinary item.

The group's refining, marketing and transportation segment recorded earnings of $157m in 1989, down from $182m earlier. Fourth-quarter income was $85m, against $64m.

The company's petroleum exploration and production operations earned $450m for the year, up from $325m in 1988. In the quarter, the segment reported income of $100m from $43m.

The chemicals business posted earnings of $49m against $51m while the segment's earnings in the quarter plunged to $2m from $16m previously.

In a separate announcement, Unocal said it had adopted a stockholder rights plan to protect the interests of shareholders in the event of a hostile takeover attempt.

Mr Stegemeier said the plan was similar to several others adopted by companies in the industry.

"We know of no current takeover proposal affecting Unocal," he said, "but we believe it is a prudent course of action in view of the merger and acquisition environment."

Under the terms of the plan, one right will be distributed for each share of common stock held of record by the end of February 12. The rights could be triggered if anyone acquires 15 per cent or more of Unocal's outstanding common stock.

Mellon seeks buyer for unit

MELLON BANK of Pittsburgh is looking for a buyer for Mellon Financial Services unit, its consumer finance operation, Reuter reports.

The bank said the financial services unit, based in Oak Brook, Illinois, was a profitable, well-run business but was not essential to its retail banking strategy. It added it was focusing its retail resources in the central Atlantic coastal region.

Mellon Financial Services Oak Brook operates 97 offices in 17 states. At December 31 the unit had assets of about $550m.

INTERNATIONAL COMPANIES AND FINANCE

French national power company FFr4bn in red

By George Graham in Paris

ELECTRICITE de France (EDF) the French national power company, lost FFr4bn ($700m) last year, its second successive year of losses and the sixth time in a decade that it has been in the red.

Mr Pierre Delaporte, chairman, described the year as "catastrophic," and complained the French Government was refusing to allow his company to charge adequate tariffs and was preventing it from budgeting properly.

EDF performed well outside France, making around FFr600m of profits from exports of electricity, principally to the UK, Switzerland and Italy, and also made a capital gain of around FFr1.1bn on the sale of a property in the heart of Paris.

On the other hand, warm weather reduced income by about FFr1.3bn from budget, while last summer's exceptional drought cost a further FFr3.1bn, since EDF was unable to run its hydro-electric power stations and lacked water to cool its nuclear reactors, forcing it to use its more expensive coal and fuel oil generators. Mr Delaporte complained the Government had only allowed EDF to raise its tariffs by too little, too late.

He added that EDF's repeated losses merely fuelled the complaints of the European Commission in Brussels, which suspected his company of subsidising major industrial power contracts such as its supply agreement with Pechiney for a new aluminium smelter at Dunkirk.

"We lose money one year in two, and a company which loses money one year in two can only be suspect in the eyes of Brussels. The problem is an error in the thought processes of our shareholder, who wants us to aim only for break-even and for whom the idea of a public service company making profits is indecent," Mr Delaporte said.

Mr Delaporte added that he was not a proponent of out and out liberalisation: the example of the UK was not exactly encouraging.

The UK was EDF's largest customer last year, buying 13bn kiloWatt hours of electricity, the same as in 1988.

Bouygues rises 10% to FFr570m net

By Our Financial Staff

BOUYGUES, the dominant French construction group, lifted attributable net profits 9.8 per cent last year to a provisional FFr570m ($100m).

Revenues rose 14.9 per cent to FFr47bn, of which 22 per cent was derived from operations abroad. This share is expected to rise further to 24 per cent in the current year.

The outcome excludes any contribution from partially owned offshoots Mabinvest, Saur, and the television channel TF1 – these were originally included in the accounts for 1988, which have now been restated. The move to full control at Screg resulted in a FFr46m writedown on goodwill, the same as the previous year.

For 1990 Grands Moulins, a flour milling unit acquired towards the end of last year, is expected to assist a nearly two-thirds jump in sales outside its mainstream activities. If these reach the forecast FFr9.8bn, up from FFr6bn, they will overtake property revenues, which are not expected to improve on the 1989 level of FFr 7.3bn.

In spite of the moves to diversify construction, remains by far the largest sector. Turnover there was FFr33.7bn last year and is projected to rise to FFr35.9m this year.

A FFr5 per share initial dividend payment is being made next month.

La Cinq TV deal set to lift role of Berlusconi

By George Graham

THE TWO main shareholders in La Cinq, France's fifth television channel, have reached a deal which is expected to lead to an increased role in the management of the station for Mr Silvio Berlusconi, the Italian television magnate.

Mr Berlusconi and Mr Robert Hersant, the French press baron who is chairman of La Cinq, signed an agreement on Monday, putting an end to the legal dispute between them over the control of the station.

Mr Jerome Seydoux, chairman of Chargeurs, the financial conglomerate which was Mr Berlusconi's ally in the battle against Mr Hersant, refused to sign the deal, judging it "unbalanced."

The court case between them, disputing the control of La Cinq's shares, will therefore continue. It is unlikely to have much effect on the television station's control, however, since Mr Hersant and Mr Berlusconi each own 25 per cent of its capital.

Under the deal reached this week La Cinq will have two managing directors: Mr Yves de Chaisemartin, chief executive of the Hersant group, and Mr Angelo Codignoni, the Berlusconi group's representative in France.

The deal is also understood to involve a reorganisation of the loss-making television station's advertising and programming functions, giving an increased role to Mr Berlusconi's organisation.

La Cinq, created in 1985, was originally run as a joint venture by Mr Seydoux and Mr Berlusconi. They were stripped of their concession when the French government changed in 1986, but joined a consortium led by Mr Hersant to bid for a new concession.

Mr Hersant has been in charge of La Cinq since 1987, but his management has been increasingly contested by Mr Berlusconi. Mr Seydoux owns 7.34 per cent, and Mr Jean-Marc Vernes, an ally of Mr Hersant, owns 10.89 per cent.

Other shareholders have been keen to sell out of the television station, which has lost a total of FFr2.2bn in the last three years.

Unusually emotional bankers return home

Haig Simonian on celebrations as Dresdner Bank moves back to East Germany

Today, two Lufthansa charter jets carrying the cream of West Germany's financial journalists will touch down at Dresden airport in East Germany.

The landing follows the arrival yesterday of a special train carrying the entire board of Dresdner Bank, West Germany's second biggest financial institution, which held its regular board meeting on the move to help occupy its time during the nine-hour journey.

Both sets of visitors are part of an unprecedented celebration on the part of the city and the bank of the same name to mark the latter's return to its "home town" after decades away.

While Dresdner Bank's manner of marking the occasion is unusually emotional – today's guests will include the bosses of all its regional head offices, as well as one junior member of staff from every main branch – it is by no means alone among German financial institutions. For where West Germany's businessmen venture, their bankers tend not to be far behind.

The rocketing interest in co-operation between companies on the two sides of the East-West German divide after last year's political upheavals is already having repercussions in West German banking. So far, the banks have reacted in two ways to the opportunities which have suddenly presented themselves.

Most have announced plans for new operations in East Germany, ranging from ambitious schemes to set up branch networks catering for all 16.5m East Germans to more modest proposals for small representative offices in East Berlin. Financing the growing two-way trade and the joint ventures in the offing – the banks' second obvious focus of interest – has been a much slower process.

While announcements have flowed thick and fast in recent weeks about the new offices being established in the east, none of the banks has as yet been particularly effusive on what they intend to do there.

The vagueness is understandable given the continuing uncertainty among German industrialists as to the speed and scope of political liberalisation in the east. There is little doubt that West German banks expect to get the lion's share of any business generated. The West German banks have just closed a record year, bolstered partly by strong credit demand as a result of the booming domestic economy. Many still have plenty of money to lend, and most are looking to the east for untapped potential.

Some banks have already gone out of their way to try and smooth their passage into East Germany.

No one has suggested that the speed with which Dresdner Bank opened its new Dresden office was directly related to its decision to set up a DM20m cultural fund for the city, but the coincidence was certainly striking.

Zwinger Palace, Dresden: Dresdner Bank made an emotional return to the city

Other banks have not been so munificent. Deutsche Bank, the country's biggest financial institution, has proceeded cautiously so far, in spite of the much-quoted belief of its late chief executive, Mr Alfred Herrhausen, that reunification between the two Germanys is "desirable and inevitable".

The bank is not opening branches or offices, pending eventual changes in East German law to permit normal banking business by West German banks. However on Monday it appointed regional teams to six East German cities.

Other banks are being similarly careful. West Germany's savings banks have offered know-how and co-operative links with East Germany's 196 savings banks, but not much else.

And one leading building society wants to set up an information office to teach the East Germans how to save for their own homes after commissioning a survey showing that 61 per cent of them were ready to save regularly for a new house – provided the state made it attractive.

Industry is the banks' prime focus of interest. The acute need for capital to modernise outdated East German factories and the funding required for joint ventures are far more tempting in the short term than any distant dreams of covering the country with branches.

According to a survey by the West German IFO economic institute, 40 per cent of West German companies plan to become involved in the DDR in some way.

Mr Ernst-Moritz Lipp, Dresdner Bank's chief economist, says "to reinvigorate the economy, it is essential for the GDR to permit the free inflow of capital as soon as possible."

Each bank has its own preferences. Bank für Gemeinwirtschaft, still partly owned by West Germany's trade union movement, cites short-run trade finance and middle-term funding for capital goods imports as its reasons for opening in East Berlin.

Westdeutsche Landesbank stresses the special role of North Rhine Westphalia, its home state, which accounts for about one third of all inner-German trade.

So far, Dresdner Bank appears to have got a neck ahead of its rivals in the race to set up shop in the east.

Sending three executives to its new Dresden office is justified by the need to facilitate the "new economic orientation of the DDR through a transfer of capital, technology and management skills from the west," it says.

"The office has had to deal with a flood of enquiries from all corners of East and West Germany," Dresdner Bank said in a first appraisal just nine days after the new bureau was opened. The bank is also offering East German companies looking for western partners a year's free access to its international business database.

Although East Germany is the obvious focus for the banks' new activities, it is by no means their only area of interest in Eastern Europe.

Even before the collapse of the Honecker regime, Deutsche Bank had announced it was setting up representative offices in Budapest and Warsaw. The bank already clears about 18 per cent of the value of two-way trade in goods and services between West Germany and Poland, it says.

Moreover, the allure of eastern Europe for the financial sector is not limited to the banks. In mid-December Allianz, Europe's biggest insurance company, bought a 49 per cent stake in Hungaria Biztosito, one of Hungary's two leading insurers, for an undisclosed sum.

The Hungarian group, which had premium income of around DM340m ($203m) last year, has a 44 per cent share of the domestic insurance market and is the country's leading industrial insurer, according to Allianz.

The deal represents the second biggest investment by a western company in the country, say the Hungarian authorities. It easily overshadows the purchase by Colonia, another big German insurer, of a 12 per cent share in Atlasz, a Hungarian travel insurer, last May.

Allianz, which is also getting a say in running the group, hopes its stake will not only open the door to the Hungarian industrial insurance market, but also provide a leg up when it comes to selling insurance to the increasing number of western companies planning to do more business in Hungary.

The insurers have a point. Rising industrial output in West Germany will boost the demand for insurance, while growing East-West trade will further stimulate the business.

And further down the road, the East European countries could represent precisely the same opportunities in life and health insurance that are currently making Spain and Portugal such rich pickings for established northern European insurers.

EASTERN BLOC VENTURES ANNOUNCED IN RECENT WEEKS

- **Deutsche Bank, West Germany's biggest financial institution, has appointed regional teams to six East German cities.**
- **West Berlin's Berliner Volksbank is to take a 10 per cent stake in its East Berlin counterpart of the same name, marking the first shareholding by a West German bank in a counterpart across the border.**
- **Deutsche Genossenschaftsbank (DG Bank), the umbrella body for the co-operative banking movement, wants to open an East Berlin representative office and is also discussing ways to modernise East Germany's co-operative banking system.**
- **Bank für Gemeinwirtschaft is opening an East Berlin representative office. Commerzbank has won approval for a "contact office" in the city, which opened on January 24.**
- **Munich-based Bayerische Hypotheken-und Wechselbank, Germany's seventh largest bank, plans to establish offices in East Berlin, Leipzig and Dresden, and to convert them into full branches as soon as possible.**
- **DG Bank and Berliner Handels- und Frankfurter Bank, a leading merchant bank, have set up Deutsch-Ungarische Bank with the National Bank of Hungary and the country's Foreign Trade Bank.**
- **Berliner Bank has set up a joint venture company with Budapest-based Dunabank RT to provide computer automation hardware and services for banks in Hungary.**

Heineken blames planned job cuts on flat sales

By Laura Raun in Amsterdam

HEINEKEN, the Dutch brewery, plans to scrap 700 of its 4,000 jobs in the Netherlands by 1993 because of flat sales, changing tastes and competition.

The job cuts will affect all departments except those directly concerned with production, marketing and sales of beer, the company said yesterday. Last October Heineken announced plans to spin off its computer department to Electronic Data Systems of Spijkenisse near Rotterdam in a cost-cutting move.

Heineken, which is the third largest brewer in the world, expects many of the pressures of the 1980s to continue into the 1990s. Health-conscious drinkers are consuming less beer and fickle ones are turning to other brands, while the adventurous are demanding new products, such as light and dry beer.

In the Netherlands, which accounts for about one-quarter of total sales, Heineken's overwhelming market share of 58 per cent in 1980 has plunged to about 52 per cent. In the US, which imports its beer from the Netherlands, Heineken's market share has slowly shrunk in the face of heavy competition from other foreign beers and a weak dollar.

Last year the top management of Heineken Nederland, the Dutch unit, was completely replaced in a major shake-up that left Mr R.V. Strobos, in charge.

Petrochemical slowdown holds Petrofina to 8%

By Tim Dickson in Brussels

PETROFINA, the Belgian oil and petrochemical concern announced last night its share of group consolidated profits rose 8 per cent last year to an "estimated" BFr21.8bn ($62m).

A statement ascribed the improvement to "better results in the petroleum sector, which largely compensated for the slowdown in petrochemicals".

The group, Belgian's biggest industrial company, revealed a 32 per cent jump in gas production to 5.7bn cubic metres and a 4 per cent rise in crude oil production to 5.9m tonnes. Downstream sector margins increased in comparison with 1988, refineries operated at full capacity, and petroleum product sales rose by 8 per cent.

In petrochemicals, where the group achieved a record performance in 1988, profits were eroded by the increase in supplies but according to the statement they "remained overall at a satisfactory level".

Group capital expenditure was approximately BFr50bn. in 1989. New investment commitments in 1990 " will be of the same magnitude" whereas expenditure will amount to about BFr65bn.

Correction

Lego

LEGO, the Danish toy group, points out that the sales figure of DKr3.24bn (excluding Lego's separate Swiss and US companies) mentioned in Monday's report was for 1988. No sales figure was given for 1989.

Lease Plan expects big expansion

By Andrew Baxter

LEASE Plan Holding, the Dutch company which claims leadership of the highly-competitive European contract car hire, fleet management and leasing market, plans a big expansion over the next five years to take advantage of the opportunities offered by the 1992 single market reforms.

Dr Anton Goudsmit, managing board chairman, said he would be surprised if the company did not double in size over the next five years. Lease Plan, majority owned by the Bank Mees & Hope unit of Algemene Bank Nederland, already runs more than 100,000 cars and trucks in 13 countries, and had assets of Fl 2.77bn ($1.46bn) at the end of last June.

Lease Plan claims to be the only leasing company to have a European network already in place, which the company believes will be essential after the 1992 reforms.

"Commercially it is not feasible to work from one country. The key thing is to have a strong presence in every EC country," Dr Goudsmit said.

This is partly because, in a business where fiscal policies play a significant role, there will still be immense differences between individual EC countries after 1992. These variations will fade away, but only gradually, said Dr Goudsmit.

There are also significant differences in national characteristics. Whereas the UK and Netherlands markets have reached a high level of maturity, and are not expected to continue growing at recent annual rates of 20 per cent, other markets, such as Germany, France, Spain and Italy are considered "virgin territory" for Lease Plan.

In Germany, for example, the strong ownership mentality, coupled with the dominance of purely financial leasing offered by banks and vehicle manufacturers, has prevented the full development of contract hire and fleet management with its service-based approach.

However, multinational customers with a presence in these countries have wanted these services, explaining why Lease Plan has been active internationally since soon after it began contract hire about 20 years ago.

The company attributes its growth largely to the success of its so-called Open Calculation System for operating leasing. This aims to combine the contract hire approach – leasing vehicles at a fixed annual rent, including whatever services the client wishes – with fleet management, where the costs of running a fleet are controlled and managed.

The OCS system works by explaining all the costs to the client at the start of the lease term, and then comparing these with the actual cost at the end of the term. If the actual costs are lower, or if the car yields more than expected when sold second-hand, the "profit" is put into a pot along with any profit or loss from the client's other terminated leases.

At the end of each year the client's total profit or loss is calculated and any profit returned to the client. Any losses are absorbed by Lease Plan.

Last year the company refunded Fl 59m to clients, including £400,000 on the 2,000 cars it leases in the UK. Although the disadvantage of the system is the obvious reduction in profit margins, Mr Norman Donkin, managing director of Lease Plan UK, said: "It gives us our USP (unique selling point) and we have tremendous customer loyalty."

Despite the current differences between individual markets, Dr Goudsmit said "the best product will win in Europe because the borders are fading away."

With OCS as its spearhead, the company wants to expand worldwide, and sees the development of fleet management in Germany and France as the likely major priority in the next few years. It has yet to open in Italy, and sees "tremendous opportunities" in Spain.

Until last February, Lease Plan had been owned by a small group of banks and institutions, including the Royal Dutch/Shell pension fund, each of which had stakes of about 20 per cent. This gave Lease Plan the flexibility to experiment with OCS without coming under pressure from individual shareholders worried about their investment, said Dr Goudsmit.

To support its current expansion plans, Lease Plan wanted a simpler ownership structure with one or two banks giving fuller commitment to the company. It had hoped that Crédit Lyonnais, one of the original shareholders, would increase its stake but the French bank sold out when it was unable to take full control. Eventually, it is likely that Lease Plan will be owned fully by ABN, Dr Goudsmit indicated.

NMB POSTBANK EXPANDS CAR HIRE

NMB Postbank of the Netherlands has bought Leasing Principals, the vehicle leasing subsidiary of Rockwood Holdings, the UK transport group, as part of foreign expansion plans, writes Laura Raun in Amsterdam.

Leasing Principals has a fleet of 3,000 autos and will complement NMB Lease, the bank's UK leasing and financing subsidiary set up last October. NMB Postbank, the result of the recent merger of NMB and the Postbank, refused to disclose the purchase price.

NMB Lease is the biggest leasing company in the Netherlands and provides passenger cars, trucks and aircraft. Leasing Principals will be managed by CW Lease, the NMB Lease subsidiary, which was founded in 1977, is the second largest vehicle leasing company in the Benelux after Lease Plan Holding and has 25,000 cars.

NMB Postbank, which is aiming to expand in France and Germany as well, is the second Dutch bank to buy a foreign leasing company this month. Amsterdam-Rotterdam Bank acquired Frankfurter Kredietbank, a leasing company in Germany.

INTERNATIONAL COMPANIES AND FINANCE

Philosophy of gain through pain

Robert Thomson follows the ups and downs of Kumagai Gumi

The Bank of China HQ in Hong Kong, built by Kumagai Gumi

Kumagai Gumi does not lack ambition. The Japanese construction company recently finished a road and rail tunnel under Hong Kong Harbour, is lumbered with a new 51-storey office-hotel-apartment complex in unfashionable Peking, and has just finalised a takeover of Ranelagh Developments, a private UK property company.

In telling the Kumagai Gumi story Mr Nobuyuki Inazu, its deputy general manager of international operations, makes clear that the company has been as unconventional as it has been successful in its extensive foreign operations.

These began in 1961 when the company was the first Japanese contractor to win an international tender, for a water channel in Hong Kong – although a typhoon intervened, and the company lost money on the deal.

"When we started in overseas contracts some other Japanese companies were involved in foreign work, but only through Japanese government grants. It is not easy to win an international tender, and other big Japanese companies started competing in 1975," Mr Inazu said.

The contradiction is that the margins are greater in the cosier domestic construction market, and that Kumagai's profits tend to rise as a percentage of capital when the ratio of overseas work falls.

The company, with its no pain, no gain philosophy, is almost proud that it has taken a bruising on some of the more ambitious projects.

That pride does not extend to a bankruptcy filing late last year by KG Land New York, a US subsidiary, for a joint venture company, Americas Tower Partners, established with New York Land Development, which had financing plans for a 48-storey Manhattan building undermined by a past relationship with the late Mr Ferdinand Marcos, the former Philippine president.

"We provided finance for the deal, but our partner was involved in the Marcos scandal and could not provide finance. We decided that the best thing to do was announce bankruptcy. We hope that the project will be completed, then we can sell it, and give back money to the creditors," Mr Inazu said. "It has been very disappointing."

The problems with the joint venture, in which the company has reportedly invested $180m, highlight a danger of the Kumagai strategy of taking a very active financial role in projects.

The benefits of such a commitment are more obvious in the Hong Kong harbour tunnel, as the company has a majority management stake under a 30-year BOT (Build, operate and transfer) package, similar to that for the construction of a road tunnel under Sydney Harbour.

Having completed the Hong Kong project last September, four months ahead of schedule, Kumagai Gumi and Kumagai Gumi Hong Kong, in which the parent has a 35 per cent stake, are sharing the receipts with partners such as the state-run China International Trust and Investment Corporation (Citic).

The Japanese company was keen to have a Peking presence on a deal that extends well beyond the 1997 Hong Kong handover.

Kumagai and, in particular, the Hong Kong offshoot, have invested heavily in the success of China's reform programme and Hong Kong's future.

They built the new, 70-storey Bank of China headquarters in Hong Kong, Asia's tallest building, and are involved in a project to develop a condominium, hotel complex in Hainan Island, the Chinese province to the south of Hong Kong.

"We are cautiously watching developments in China before we make a final decision on the Hainan project," Mr Inazu said.

As for the 51-storey building in Peking, the Jing Guang Centre, the company is "trying to lease space" but admits that prospects have been damaged by the crushing of the pro-democracy movement last June.

The company, through its wholly-owned Kumagai Gumi UK, is involved in 13 projects in central London, and the purchase of Ranelagh Developments for a reported Y2bn ($13.97m) is intended to strengthen its construction services operations. "There is strong demand in London because of its role as a financial centre. It's a very strong and stable market," Mr Inazu said.

He explained that the company has brought its techniques for consensus-building to London in handling on-site complications.

"We have a lot of meetings. Every week we get together and discuss design difficulties or other problems with all the companies involved. This may bother other contractors, but if we have these meetings, we can solve problems before they get too serious," he said.

While Kumagai has been prepared to commit resources to China, Mr Inazu does not think Eastern Europe will be a useful market in the short-term.

"If you abide by the basic principles of building quickly, cheaply and with high quality, then your company should be a success," he commented. "We are prepared to share our know-how in Eastern Europe when the market operates on those principles, but that may not be for 10 years."

Japanese construction companies, generally, have been consistently criticised by the US for their cosy relationships that are said to restrict opportunities for foreign contractors in Japan.

This system of dividing work evenly among companies is known as *dango*, and Mr Inazu has strong opinions on the subject. "Personally, I think the *dango* are a good idea. It comes back to the basic principles of cost, time and quality. The best way to work is to have a stable relationship with the other companies working with you. You have to have confidence in them," he said.

The company expects that overseas contracts will comprise about 26 per cent of sales or about Y270bn this year.

While total orders in the next fiscal year from April are expected to rise 20 per cent to Y1,300bn, the foreign share will fall, partly because of a surging domestic construction market.

Sanyo Electric exceeds forecast with Y16.8bn

By Our Financial Staff

SANYO ELECTRIC, the Japanese electronics group, made worldwide net profits of Y16.84bn ($117.6m) for the year to November, more than 2½ times higher than the previous year and meeting a forecast it made last July that earnings would reach Y16.5bn.

The result in part reflected a 37.6 per cent improvement in pre-tax profits for the Japanese parent company to Y40.21bn, although after tax the parent's contribution, at Y20.28bn, was only 19 per cent higher.

Group results have been restated for both years, adding 44 subsidiaries following a change in US accounting standards. For the current year it is forecasting consolidated net profits of Y23bn.

Sales, which overall reached Y1,370bn compared with Y1,300bn, are expected to rise to Y1,500bn this year.

On a parent-only basis, the pre-tax profit projection is for an increase to Y45bn. The annual dividend is being maintained at Y8 per share, and no rise in the payout is in sight.

During the year Sanyo set up a facsimile machine venture with Olivetti and Mitsui & Co and agreed deals to produce audio equipment in India and refrigerator parts in the Soviet Union.

Malayan Banking rises 96%

By Lim Siong Hoon in Kuala Lumpur

MALAYAN Banking, Malaysia's largest bank, has reported a half-year pre-tax profit of 155.4m ringgit ($57.55), a 96 per cent increase over the six months to December 1989.

More loan recoveries contributed to the higher outcome, despite the higher cost of funds from an upward adjustment in the central bank's reserve requirement.

The central bank had raised the ratio of reserve deposits to total liabilities by one percentage point in May last year, then again in October. A third increase in January puts the ratio at 6.5 per cent.

Total loans, at 18.8bn ringgit, rose at a 12 per cent faster rate than deposits which amounted to 15.9bn ringgit. The group's assets were up by 8 per cent to 29.1bn ringgit.

Net profit was 62.9m ringgit, up from 41.4m ringgit, or 19 cents a share compared with 13 cents. The interim dividend is 9 per cent net of income tax, up from 8 per cent.

Last month, the group launched simultaneous one-for-two bonus and rights issues, the latter at 4 ringgit a share.

Malayan Banking shares are currently trading at around 13 ringgit each.

The new issues will double the group's share capital to 633m ringgit. Its market capitalisation will rise, at prices now, to 8.2bn ringgit, thereby displacing Sime Darby, the largest quoted Malaysian group.

● Genting, the Malaysian conglomerate, is to sell its wholly-owned Sabah Development to Asiatic Development, its plantation arm, for 65.3m ringgit cash, Reuter adds.

INTERNATIONAL CAPITAL MARKETS

Moody's downgrades top Australian banks' debt

By Chris Sherwell in Sydney

MOODY'S Investors Service yesterday downgraded its assessments of Westpac Banking and the National Australia Bank (NAB), two of Australia's big four commercial banks.

The action follows a review of the banks' long-term debt ratings and lifts their foreign borrowing costs. Moody's began the review in November amid concern about worsening domestic asset quality caused by high interest rates and a possible economic downturn.

The agency had previously lowered its rating by one notch – from Aa1 to Aa2 – on US$23bn of debt issued by the Federal Government and its agencies. This was mainly because of the country's heavy burden of external debt and the slow pace of government adjustment policies.

That change, made in August, also affected Westpac and the NAB, making yesterday's downgrade the second in five months, affecting US$2bn of Westpac debt and US$1.2bn of NAB debt.

For Westpac, Moody's rating for long-term deposits was lowered to Aa3 from Aa2, for subordinated debt to A1 from Aa3, and for non-cumulative preferred stock to "a2" from "a1".

For NAB, the agency's ratings were similarly lowered: for long-term deposits to Aa3 from Aa2, for senior debt to Aa3 from Aa2, and for sub-ordinated debt to A1 from Aa3.

Australia's other two principal commercial banks were not directly affected by the decision. The Commonwealth Bank, being federal government-owned, enjoys federal government ratings, while the ANZ Banking group is not rated by Moody's.

Moody's said that Westpac had sharply increased its domestic lending business in the past few years and it believed that asset quality problems would arise from the bank's portfolio in this area. It pointed in particular to involvement in commercial real estate, currently facing a slowdown.

The agency cited similar problems for the NAB, but pointed to two other developments:

- This month's acquisition of Yorkshire Bank in the UK. The purchase price of £976.5m constituted a significant amount of goodwill, thereby reducing the bank's adjusted net worth, Moody's said.
- The NAB's exposure to the operating companies of the troubled Bond group. Although the bank's "sound documentation" meant this should not result in a material loss, Moody's said it "did not rule out the possibility that some of NAB's Bond exposure could be classified as non-performing in the future." It added that NAB's recovery rate would be high.

Both banks regard the downgrading as an inevitable consequence of the Australian economy's condition rather than their own, and point out that the new ratings remain high among the 19-odd gradings given by Moody's.

Ecu bond market 'not illiquid'

By Martin Dickson

THE ECU bond market's reputation for illiquidity may be exaggerated, according to a survey of leading institutional investors by Swiss Bank Corporation. The survey found that about 70 per cent of the investors asked were involved in the market.

Some 62 per cent of active investors said they generally held all or some of their positions at least beyond 12 months. The survey said this supported the idea that Ecu bonds were held longer than in other currencies, perhaps adding to the perception of illiquidity.

However, some 68 per cent of the active group said they switched or planned to switch between different Ecu bonds in the secondary market or between new issues and secondary bonds. Swiss Bank said this suggested that "liquidity might not be as big a problem as perceived."

And about 50 per cent of those involved said they switched, or planned to do so, between Ecu bonds and some of the components, such as German bunds or French OATs, on a regular basis.

A slight majority felt there was no useful benchmark in the market, although around 38 per cent felt the French Ecu OAT was becoming one. Only 50 per cent of active investors thought that Britain's Treasury bill programme denominated in Ecus had been helpful in promoting the bond market.

Among those not active, about 55 per cent mentioned the perceived lack of liquidity and nearly 75 per cent said they would consider investing if liquidity could be improved.

Nearly 90 per cent of active investors welcomed the news that the Matif exchange in Paris was planning to introduce an Ecu futures contract this year based on the French Government's Ecu OAT 1997 issue.

Mexico to restart debt/equity auctions

By Stephen Fidler, Euromarkets Correspondent

THE Mexican Government will restart its auctions for debt-to-equity swaps over the next two to three months, Mr Pedro Aspe, the country's Finance Minister, said yesterday.

The auctions are provided for in the country's new debt accord with commercial banks, under which it agreed to exchange foreign bank loans of $3.5bn into rights to invest in equity in Mexican companies over a three-and-a-half year period. Under the agreement, such swaps have been limited to privatisation issues and specified infrastructure financings.

Mexico suspended a previous round of debt-equity auctions in the middle of 1988, although it has since allowed some swaps – equivalent to about $2.5bn in face value of bank debt – held up since then to take place.

The final signing of the bank accord begins on Sunday in Mexico City. Mr Aspe said in London that he wanted the auction to take place "as soon as possible," in the next two to three months. The Government intended to be flexible about the amounts to be offered.

Mr Aspe said it was envisaged that an auction for the swap rights would take place first, followed by auctions for companies that the Government plans to sell, such as Cananea, the state copper concern. The assets will be denominated in US dollars, he said.

The Government held out strongly against a broad agreement on debt equity swaps, believing that they encourage either monetary expansion – because local currency is created – or higher interest rates if government paper is issued to offset the monetary expansion.

Mr Aspe said the Government also thought that, among other things, such swaps were detrimental to investment, encouraging would-be foreign investors to wait until the next debt-equity swap auction to buy local currency for investment at subsidised rates.

Chilean pension funds to be able to invest abroad

By Barbara Durr in Santiago

UNDER new legislation, Chile's private pension funds are to be allowed to invest up to 10 per cent of their funds abroad. The pension funds currently hold nearly $4bn and make up the single largest investor group within Chile's capital market.

The Superintendency of Administrators of Pension Funds, the Chilean regulatory body, said the funds would be allowed to invest in bonds, equities and other financial instruments that carry guarantees from foreign governments, central banks or commercial banks. These would include investment funds, be they for risk capital, short-term commercial paper or real estate.

The investments are to begin gradually, starting with 1 per cent each year for the first five years. Thereafter, the remaining 5 per cent can be invested immediately. The amounts going abroad are to be monitored by the central bank.

The foreign investments, like all those made by Chilean pension funds, will be subject to a risk assessment classification. The official Chilean risk classification board will set the standards, using international risk assessments.

The legislation has been approved by the military junta and is awaiting review by the constitutional tribunal. The Superintendency does not anticipate problems in the final review.

Outstanding sterling paper up 5% in 1989

By Martin Dickson

SOME £3.5bn of sterling commercial paper was outstanding at the end of 1989, up 5 per cent on the £3.33bn at the end of the previous year, the Bank of England announced yesterday.

During December last year, redemptions of £3.85bn outstripped issues, which totalled £3.1bn, and the total outstanding fell by £74m.

Banks in the UK reported holdings of £342m on their own accounts at the end of December, a fall of £97m on the month.

The outstanding issues at the year-end comprised 147 issues by UK companies, total value £3.16bn, nine by overseas companies (guaranteed by UK parents), with a total value of £238m, and 18 by overseas companies, value £103m.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	97⅛	97⅝	−0⅛	−1⅛	9.17
Alberta 9¾ 95	600	100¾	101¼	−0⅛	−1	9.12
Austria 9⅝ 93	140	101⅛	101⅝	−0⅛	−0⅝	9.08
B.F.C.E. 8¾ 94	175	97⅛	97⅝	−0⅛	−1⅛	9.12
B.F.C.E. 9⅛ 95	150	100¼	100¾	−0⅛	−1	9.12
Brit. Tel. Fin. 9⅞ 98	250	100⅛	100⅝	−0⅛	−1⅛	9.32
Canada 9 96	1000	100½	101	−0⅛	−0⅞	8.83
C.C.C.E 9¼ 95	300	100¼	100¾	−0⅛	−0⅞	9.11
C.N.C.A 9⅞ 93	150	†100	100½	−0⅛	−0⅝	9.26
Credit National 8⅛ 93	200	†97⅜	97⅞	−0⅛	−1	9.11
Credit National 7⅛ 92	100	96¼	97¼	0	−0⅛	8.88
Credit National 9½ 92	160	†100⅞	101⅜	−0⅛	−0⅝	9.05
Dai-Ichi Kan 9⅞ 92	150	100⅝	101⅛	−0⅛	−0⅝	9.19
Denmark 8¼ 94	150	†96⅛	96⅝	−0⅛	−0⅞	9.20
E.E.C. 7 91	100	96⅞	97⅜	−0⅛	−0⅝	8.81
E.E.C. 10 93	140	†102⅛	102⅝	−0⅛	−0⅝	8.99
E.I.B. 8¼ 99	150	94⅞	95⅜	−0⅛	−1⅛	9.29
Eurofima 10⅛ 93	100	†102⅛	102⅝	−0⅛	−0⅝	9.15
Elec.De France 9 98	200	98⅞	99⅜	−0⅛	−1⅛	9.19
Elec. De France 9½ 99	200	†100⅞	101	−0⅛	−1⅛	9.35
Finland 9 96	250	99	99½	−0⅛	−1	9.14
Finn.Exp.Cd. 8½ 92	200	98¾	99¼	0	−0⅛	9.02
Finn. Exp. Cd. 9¾ 95	200	100⅛	100⅝	−0⅛	−1⅛	9.21
Ford Motor Credit 8 91	250	†98½	99	0	0	9.16
Gen.Elec.Cap.Corp. 9 93	500	†99½	100	−0⅛	−0⅞	9.06
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅛	101⅝	0	−0⅛	8.99
G.M.A.C. 8¾ 94	500	†96⅞	97⅜	−0⅛	−0⅞	9.54
G.M.A.C. 9 96	300	97⅛	97⅝	−0⅛	−1⅛	9.51
Gen. Mtrs. Corp. 9⅛ 92	200	99⅜	99⅞	−0⅛	−0⅛	9.31
IBM Credit Corp. 8⅝ 92	400	99	99½	−0⅛	−0⅛	8.97
IBM Credit Corp. 8⅞ 91	250	99½	100⅛	−0⅛	−0⅛	8.99
IBM Credit Corp. 9 92	250	99⅞	100⅜	−0⅛	−0⅛	8.95
IBM Credit Corp. 9½ 92	250	100⅝	101⅛	0	−0⅛	9.00
Italy 8½ 94	1500	97¼	97⅞	0	−0⅞	9.09
Italy 9½ 95	1000	101⅝	102	−0⅛	−0⅞	9.11
Italy 9⅝ 99	1000	101⅜	101⅞	−0⅛	−1⅜	9.37
Itoh C. W/W 4⅝ 94	1000	108¾	110	+0⅛	−1⅛	2.35
Japan Dev. Bank 10 96	200	103⅜	103⅞	−0⅛	−1⅛	9.22
KFW Intl. Fin. 9 94	300	99⅛	99⅞	−0⅛	−0⅞	9.11
L.T.C.B.of Japan 9¼ 92	200	99⅝	100⅛	−0⅛	−0⅛	9.27
New Zealand 9 94	850	98⅞	98⅞	−0⅛	−0⅞	9.39
Nippon Tel.&Tel. 9⅝ 98	250	100⅛	100½	−0⅛	−1⅛	9.30
Norway 8⅛ 93	500	99⅜	99⅞	−0⅛	−0⅛	8.88
Portugal 8¼ 91	300	†98⅝	99⅛	0	0	9.29
Sumitomo Corp. W/W 4 93	1500	†116½	118	−0⅛	−1	−0.95
Sweden 8¾ 96	200	98⅜	98⅞	−0⅛	−1	9.07
Toyota 9½ 91	200	100½	101⅛	+0⅛	−0⅛	8.95
Toyota Mtr.Corp. W/W 4 93	1500	104½	105⅛	+0⅛	−0⅛	2.39
Victorian Rep 11⅛ 92	150	104⅛	104½	−0⅛	−0⅛	9.39
World Bank 8⅛ 99	1500	96⅛	96⅝	−0⅛	−1½	8.81
World Bank 9 97	300	99⅛	99½	−0⅛	−1⅛	9.12
World Bank 9 93	300	100⅛	100⅝	−0⅛	−0⅛	8.83
World Bank 9¼ 98	300	99⅞	100⅛	−0⅛	−1⅛	9.24
World Bank 9⅝ 99	500	102	102⅛	−0⅛	−1½	9.27
World Bank 9⅝ 96	300	†102⅛	102⅝	−0⅛	−1⅛	9.19

Average price change... On day −0⅛ on week −0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	90⅞	91½	+0½	+0¼	8.28
Austria 6⅜ 99	750	90⅞	91½	+0¼	+0¼	8.13
Bk.Frgn.Econ.USSR 7 96	750	†89¾	90¾	+0½	−0½	9.13
Bank of Tokyo 5¾ 93	100	93¾	94¼	+0⅛	+0⅞	8.02
Commerzbank o/s. 5⅛ 93	300	93¼	93¾	−0¼	−0¼	7.94
Credit Foncier 6⅞ 99	500	†91⅛	91¾	+0⅝	+0¼	9.19
E.I.B. 6¼ 99	600	87⅞	88⅜	+0¼	0	8.18
E.I.B. 6½ 99	300	91¼	92	+0⅛	−0⅛	7.81
E.I.B. 6⅝ 96	600	93⅝	94¼	0	−0⅞	7.88
E.I.B. 6⅞ 95	300	94⅞	95¼	+0¼	+0⅛	8.03
E.I.B. 8 2000	500	99⅜	99⅞	+0¼	+0⅛	8.04
Euro.Coal& Steel 7¼ 94	100	†101	101½	0	−0¼	7.43
Eurofima 6¾ 96	100	89⅞	90⅛	−2	−2⅞	8.37
Elec De France 5¾ 97	300	85⅞	86⅝	−0⅛	−0½	8.31
Hydro-Quebec 6¾ 99	300	89⅝	90⅜	0	−0⅝	8.35
Japan Dev. Bk. 5⅞ 95	300	87⅞	88⅜	+0¼	+0⅞	8.21
Japan Finance 5¾ 97	100	86⅝	87⅜	+0¼	+0⅛	8.25
I.A.D.B. 7¼ 99	300	94⅛	94⅞	+0⅛	+0⅛	8.10
Ireland 6½ 97	300	89⅞	90¼	+0⅛	−0⅞	8.39
Ireland 7¼ 99	500	93	93⅝	+0⅛	−0¼	8.30
Malaysia 6¼ 94	150	94⅝	95⅜	+0⅛	−1	7.61
Nat. West BK. PLC 6 98	300	86¼	87	−0⅛	−0⅞	8.30
Nippon Telg.&Tel. 6 95	400	90¼	91½	0	+0⅛	6.72
Oesters. Kontbk. 5 93	300	91¾	92⅜	+0½	+0⅛	8.06
Portugal 5⅝ 92	150	93¾	94⅜	−0⅛	−0⅛	8.48
Portugal 6⅝ 95	150	92⅞	93⅝	−0⅛	−0⅛	8.18
Royal Insurance 5½ 92	300	94⅝	95⅛	+0⅛	+0⅝	8.13
Turkey 6½ 95	500	89⅞	90½	−0⅛	−0¼	8.91
Union Bk.Finland 5½ 94	200	90⅝	91⅜	+0⅛	0	8.25
World Bank 6 98	500	86½	87⅛	+0⅛	−0⅛	8.18
World BK. 6¼ 97	600	89¼	89⅞	+0⅛	+0⅛	9.23
World Bank 6¾ 99	600	90¼	91⅛	+0¼	+0⅛	8.14

Average price change... On day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†86¼	86⅞	+0¼	0	7.71
Asfinag 5 03	100	†80½	81½	−0⅛	−1¼	7.24
B.F.C.E 4½ 98	200	†84	85	−0⅛	−0¼	6.98
B M.W.Fin.Neth. 5 13	150	†77⅛	78½	−0⅛	−1⅛	6.94
Britannia B/S. 4¼ 94	100	†84½	84⅞	+0⅝	+0⅞	8.62
CIR. Int. W/W 3 93	125	†84	84⅞	+0⅛	+1	8.46
Credit Lyonnais 4¼ 00	100	†77	78	0	−0¼	8.03
E.I.B 4⅝ 98	150	†83½	84	+0¼	−0⅞	7.27
Finn. Exp. Cd. 8¼ 92	75	†99	100	−0⅛	−0¼	8.43
Fletcher Chall. 4⅞ 98	150	†73	73½	−0¼	0	9.76
I.A.D.B. 6 2004	200	†89	90	−0¼	−1⅛	7.18
Kobe City 4⅝ 98	150	†82¼	82¾	−0½	−0¼	7.49
Leeds Perm. B/S. 4⅛ 93	200	†86½	87½	−1	−0⅞	8.96
Malaysia 5⅛ 98	100	†80½	80⅞	−0⅛	0	8.56
Maxwell Comm.Crp. 5 95	150	†81¼	81¾	0	−1½	9.54
Nat. Bk. Hungary 5½ 94	75	†86	88	+0½	−2	8.89
Nationwide Ang.B/S. 4 93	200	†86⅛	86¾	+0⅛	0	8.73
Prov. Newfoundland 5 03	150	†80	81	0	0	7.27
Thailand 4⅝ 95	200	†82	83	−0½	−0½	8.79
World Bank 5 03	150	†80	82½	−0⅛	−1¼	7.21

Average price change... On day −0¼ on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99½	99⅞	0	+0¼	6.49
Canada 5⅝ 93	80	96¾	97	+0¼	+0⅛	6.65
Eurofima 5 1995	20	91⅞	92¼	−0⅛	+0⅛	6.87
E.I.B. 4⅞ 93	30	94¼	95	−0⅛	+0⅛	6.76
Ireland 5⅛ 93	30	†94¼	94⅝	−0⅛	+0⅛	7.11
Norway 5⅛ 95	50	93⅝	93⅞	+0¼	+1	6.88
Sweden 4⅝ 93	50	93⅞	94⅜	−0⅛	+0⅛	6.72
World Bank 5⅛ 98	10	89⅜	89⅞	−0⅛	+0¼	6.85
World Bank 7 94	20	100⅝	101⅛	0	+0¼	6.74

Average price change... On day +0 on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	†96⅜	97⅛	+0¼	+0¼	11.08
Abbey Nat. 11⅝ 93 £	100	95	95½	+0⅛	+1⅛	13.65
Aegon 7⅛ 92 FL	100	†98¾	99¼	0	+0⅛	7.98
Alg. Bk. Ned. 5¾ 93 FL	200	92¼	92⅞	0	+0⅛	8.58
Austria 7½ 94 ECU	100	91⅞	92⅝	+0¼	+0⅞	9.89
Barclays Aus.13½ 91 A$	100	97⅛	97⅝	+0⅛	−0⅛	15.31
Belgium 8½ 94 Ecu	150	92⅝	93⅛	+0⅛	+0⅛	10.34
Bell Canada 10⅞ 04 C$	200	—	—	—	—	—
BP Capital 9¾ 93 £	100	90½	91	+0⅛	+1⅛	13.46
British Airways 10 98 £	100	86⅛	86⅝	+0⅛	+0⅝	12.79
Brit. Telecom 9½ 93 £	150	†90⅞	91¼	−0⅛	+0⅞	13.24
Comm.Bk.Aust. 12⅝ 93A$	100	†93⅞	94⅜	0	0	14.92
Comm. Bk.Aus. 13⅞ 94 NZ$	60	103	104	−0⅛	−0⅛	12.63
Credit Foncier 9 96 Ecu	100	95½	96	+0¼	+0⅛	9.90
CrLocalFrance 9⅛ 92Ecu	100	98⅛	98¾	+0¼	+0⅜	9.94
Deut.Bk.Aus. 13¾ 93 A$	125	99	99⅜	+0⅛	+0⅞	13.60
Deutsche Bk.Fin. 15 94 A$	100	102⅛	103	0	−0⅛	14.08
Elec.De France 9¾ 99C$	150	†92⅝	93⅛	0	−1⅛	10.97
E.I.B. 7 96 LFr	100	†93½	94⅛	—	—	8.31
E.I.B. 7⅛ 99 FL	150	91⅛	92	0	+0⅛	8.42
E.I.B. 9 99 Ecu	150	95⅜	95⅞	+0⅛	+2	9.73
Eurofima 7⅝ 94 Ecu	100	91¾	92⅜	+0⅛	+0⅞	10.16
Export Dv.Crp.8¾ 92Ecu	100	97	97½	+0⅛	+0⅛	10.14
Fed.Bns.Dv.Bk. 9 94 Ecu	100	95⅝	96⅛	+0⅛	+0⅛	10.18
Fed.Bns.Dv.Bk.9¾ 92 C$	75	†96⅝	97⅛	−0⅛	−0⅛	11.28
Ferr. Stato 7⅜ 93 Ecu	100	92⅛	92⅞	+0⅛	+0⅛	10.44
Ford Cr.Can.10⅞ 93 C$	100	†97⅞	98⅜	−0⅛	−1⅛	11.51
Ford Cred.Can.10⅞ 96C$	125	97½	98	−0⅛	−1⅛	11.42
Ford Cred.Fund.10¼ 93£	60	92⅞	92⅞	+0¼	+0⅞	13.36
G.M.A.C.Canada 11 3/4 94C$	100	100½	101	−0⅛	−0⅞	11.48
Heineken 7⅜ 94 FL	150	97	97⅝	0	0	8.01
Hydro-Quebec 11 99 C$	400	99⅛	99⅝	−0⅛	−1⅛	11.13
Lloyds Bank 10¼ 98 £	150	87	87⅜	+0¼	+0⅝	12.89
Lloyds Bank 11⅜ 98 £	100	†91	91⅜	+0½	+1⅛	13.06
Nat. Aus. Bk. 14⅞ 94A$	100	99⅝	100⅛	+0⅛	−0⅛	14.78
New Zealand 9½ 93 £	100	89⅝	90⅛	+0⅛	+0½	13.51
O.E.K.B. 10¼ 99 C$	150	†94⅝	95⅛	−0⅛	−1⅛	11.13
Royal Bk.Scot.10⅝ 98 £	125	88⅞	89⅜	+0¼	+0¼	12.89
Saskatchewan 10¼ 93 C$	200	96⅞	97⅜	−0½	−1⅛	11.19
State Bk.NSW. 13⅞ 93A$	100	97⅞	98⅜	−0⅛	+0⅛	14.50
Sweden 7½ 93 Ecu	250	91½	92	+0⅛	+0⅛	10.21
Sweden 15 94 A$	100	102⅛	102⅝	+0⅛	+0½	14.12
Toyota Mtr.Cr.10⅝ 94C$	150	96⅝	97⅛	−0⅛	−1⅛	11.18
Toyota Mtr.Cr.11⅛ 92C$	150	99⅛	99⅝	−0⅛	−1⅛	11.62
World Bank 7⅛ 99.FL	300	91½	92	+0⅛	+0½	8.43
World Bank 10⅞ 94 £	200	†93½	94	0	+0⅛	12.72
World Bank 13⅞ 92 A$	100	99½	100	0	−1⅛	13.39
World Bank 14¼ 94 A$	75	100⅝	101⅛	0	+0⅛	13.91
Zentrspk. 13¼ 93 A$	75	†96⅛	97⅛	−0⅛	+0⅞	14.29

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.97	100.02	24/01	15.21
Bank of Greece 99 US	0¼	99.28	99.38	8/03	9¼
Belgium 91 US	0	100.10	100.20	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.83	99.87	28/02	15.31
Credit Foncier 98 US	.063	99.81	99.92	20/04	8.32
Dresdner Finance 98 DM	.031	100.18	100.24	28/01	8.16
EEC 3 92 DM	0	100.20	100.30	22/02	6¾
Halifax BS 94 £	.1	100.01	100.06	9/02	15.16
Invt. in Industry 94 £	10¼	99.95	100.05	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.07	100.12	15/01	15.37
Milk Mkt. Brd. 5 93 £	10⅛	99.91	99.96	29/03	15¼
New Zealand 5 97 £	.07	99.99	100.09	22/02	15⅛
Northern Rock 92 £	0⅛	99.84	99.89	20/01	5¼
State Bk. NSW. 98 US	.188	100.02	100.12	11/02	8.81
Woolwich Equit.BS. 93 £	0⅛	100.03	100.08	15/01	15.37
Woolwich 5 95 £	0⅛	100.00	100.05	22/02	15.31

Average price change... On day +0.02 on week −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	18/87	62.	106¼	107¼	−0⅞	10.31
Amer. Brands 7¾ 02 US	9/87	56.7	114¼	115⅛	−0⅞	0.48
Asda 4⅛ 02 £	3/87	164.	100½	101½	+0¼	—
CBS. Inc. 5 02 US	4/87	200.	94⅛	95⅛	0	9.55
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	91	92	−0¼	4.60
Primerica 5½ 02 US	4/87	66.75	72	73	−0½	85.20
Eng.China Clay 6⅛ 03 £	9/88	4.8	92⅞	93⅞	−0⅝	5.57
Fujitsu 3 99 US	5/84	1106.	—	—	—	—
Ladbroke Grp. 5⅛ 04 £	6/89	3.55	101¼	102¼	+0¼	12.53
Land Secs. 6¾ 02 £	6/87	6.72	85⅞	86⅞	−0¼	14.94
Minolta Camera 2¼ 94DM	2/86	1004.	106⅝	108⅛	+0¼	7.55
MCA Inc 5½ 02 US	9/87	69.62	92½	93½	−0½	24.52
Mitsubishi Bk. 3¼ 04US	5/89	3266.	87⅞	88⅞	−0⅞	4.58
Next Plc 5¾ 03 £	11/87	4.3	95⅛	96⅛	0	358.87
[illegible] 2⅝ 03 US	4/88	804.	142½	143½	−0⅞	−1.73
Omnicom Inc. 6 1/2% 04 US	10/89	28.	102½	103½	−0⅞	28.35
[illegible] 2⅛ 02 US	4/87	1310.	277	278	−1	−1.18
Ranks Hovis 4⅛ 03 £	1/88	3.5	124¾	126¼	−0¼	0.75
Redland 7¼ 02 £	1/87	5.4	106½	107½	+0⅞	3.18
Saatchi&Saatchi 6¾ 03 £	11/87	4.41	85	86	0	49.03
Silicon Graphics 8 04 US	4/89	21.58	129¼	130¼	+0¾	2.10
Sumitomo Bank 3⅞ 04 US	2/89	3897.	83¾	84¾	0	5.51
Texas Inst. 2⅞ 02 US	9/87	82.87	76¼	77¼	−0¼	103.54
Utd.N'papers 8 04 £	10/89	8.77	119½	120½	−0¼	148.67
W.R. Grace 6½ 02 US	9/87	42.12	89⅛	90⅛	+0¼	31.69

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Mitsui Toatsu warrant deal hogs the limelight

By Deborah Hargreaves

THE long-awaited launch of Salomon Brothers eight-year warrant deal for Mitsui Toatsu Chemical dominated attention in the Eurobond market yesterday amid a flurry of equity warrant issues.

INTERNATIONAL BONDS

Salomon was eager to make a success of the $300m deal – which carried an initial coupon of 4 per cent – given that the warrant deal was the first venture by a non-Japanese securities house into issuing this sort of deal for Japanese companies.

Salomon said it saw strong interest in the bonds from long-term institutional customers, and itself placed well in excess of 50 per cent of the bonds with institutional clients in London and continental Europe as well as Japan.

The eight-year warrant issue is new to a market used to investing over the shorter term. For that reason, other market participants judged it to be expensive and were uncertain about how well the bonds were received.

Other players said Salomon was forced into giving the issue fairly heavy support in the market to try to make a success of the deal.

The other part of yesterday's Mitsui deal – the four-year warrants carrying a coupon of 2⅝ per cent, managed by Nomura – was trading at 99¼-99¾ late yesterday compared with a trading level of 100¼ for the Salomon issue. However, some syndicate managers wondered whether the price differential was attributable entirely to the difference in time value on the warrants or whether it was due to a move by Salomon to support the deal.

Salomon managing the Mitsui deal could open up the warrants business to participation by other non-Japanese houses. The rash of other warrant issues yesterday were deals that had been expected for some time and most of them met with a fairly brisk reception.

An issue for Fl300m yesterday for the World Bank, brought to the market by Algemene Bank Nederland, was the first guilder Eurobond issue of the year.

The deal was trading at 99.20-99.35 on an issue price of 101.15.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sanwa Shutter Corp.♦	400	(2⅝)	100	1994	2¼/1½	Daiwa Europe
Mitsui Toatsu Chemicals♦	300	(4)	100	1998	2¼/1½	Salomon Brothers Int.
Mitsui Toatsu Chemicals♦	300	(2⅝)	100	1994	2¼/1½	Nomura Int.
Honda Motor Co.(f)♦	300	9⅝	101¾	1997	1⅞/1¼	Nomura Int.
Godo Steel♦	150	(2¾)	100	1994	2¼/1½	Yamaichi Int. (Europe)
Daihen Corp.♦	100	(2¾)	100	1994	2¼/1½	Nomura Int.
Gold Mines of Kalgoorlie(i)♦	50	(7-7½)	100	2000	2½/1½	Morgan Stanley Int.
SWISS FRANCS						
North Pacific Bank(a)★★§	100	¼	100	1995	1½	UBS
Kinseki Ltd.(b)★★§	100	Zero	100	1995	1⅝	SBC
Dai-ichi Hotel★★♦	100	1½	100	1995	1⅝	Swiss Volksbank
Nichiban Co.(c)★★§	80	Zero	100	1994	1½	Credit Suisse
Jidosha Denki Kogyo(d)★★§	50	Zero	100	1995	1⅝	Bank Julius Baer
Carter Holt Harvey Fin.(e)§	(e)	(7)	100	1995	n/a	S.G. Warburg Soditic
GUILDERS						
World Bank(f)♦	300	8⅝	101.15	1997	1¾/1⅛	ABN
D-MARKS						
SE-Banken(g)‡♦	400	(g)	100¼	1995	25/15bp	CSFB-Effectenbank
Kreditbank Int.Finance(h)♦	100	10	101½	1992	1¼/¾	Bankverein Bremen
YEN						
Skopbank♦	12bn	7.2	101⅞	1993	1⅞/⅝	IBJ Int.

★★Private placement. #With equity warrants. §Convertible. ‡Floating rate notes. ♦Final terms. a) Yield to put 3.5%. b) Yield to put 3.532%. c) Yield to put 3.519%. d) Yield to put 3.235%. e) Amount depends on exchange offer. Three new bonds may be bought for two old bonds plus SFr5,000 in cash less accrued interest on the two old bonds. Can also pay cash. The old bonds for exchange into new ones are convertibles: 3⅛% due 1997, 5½% due March 1994 and 5½% due Oct.1994. Each SFr5,000 has one warrant to buy 1,000 shares at conversion price. f) Non-callable. g) Issue increased from DM300m. Coupon pays 3-month Libor flat. h) Issue increased for second time. Original amount DM50m, then increased to DM75m. Redemption linked to SFr exchange rate. i) Non-callable. Clause allowing investors to put at par.

Loan for UK independent power station

SWISS Bank Corporation said yesterday that it had underwritten a project loan of about £115m for the first independent power station to be established in the UK, writes Stephen Fidler.

A two-year construction loan is being provided to build the station – the 224MW Roosecote Power Station near Barrow-in-Furness, Cumbria – which will convert on completion of construction into a 14-year term loan. The total project cost is about £135m, of which 15 per cent is being provided by equity.

Swiss Bank, which disbursed the first portion of the loan to the Lakeland Power (Development) Company in December, plans to begin syndication to other banks in the second half of February. It won the mandate in bidding with three other banks, one each from Britain, the US and Japan. Interest rates were not disclosed.

Chicago protests over planned futures tax

By Peter Riddell in Washington and Deborah Hargreaves in London

PROPOSALS in the US Budget to impose fees on various securities deals have run into immediate criticism on fears that business might be driven abroad.

The Budget plan is to impose a fee on futures market transactions and to increase and extend fees on other securities' deals and on registration with the Securities and Exchange Commission.

In detail, a fee of 11 cents would be imposed from October 1 on futures trades and charged to members handling trades for themselves and for customers. This would be intended to cover expenses for the Commodity Futures Trading Commission, including extended market surveillance. The fees would help pay for a 21 per cent increase to the CFTC's budget to $45m.

The Chicago Board of Trade, the world's largest futures exchange, has called the proposed transaction fee "the straw that will break the camel's back in terms of competition with foreign markets."

Mr Tom Donovan, the exchange's president, said that the CBOT's share of world futures business had diminished from 38.4 per cent in 1985 to 27.6 per cent at the end of last year, in spite of a 65 per cent increase in volume at the exchange.

Separately, the Budget has proposed creating a transaction fee on most over-the-counter stocks that qualify for trading in a national market system. This levy is already paid by buyers of listed stocks.

The fee would be set at 1/220th of 1 per cent of the total transaction cost and would also apply to listed stocks, where the levy is currently 1/300th of 1 per cent.

Tom Donovan: CBOT's share of futures trade already cut

Levies on securities' registrations and on merger and proxy filings with the Securities and Exchange Commission would be increased from 1/50th to 1/40th of 1 per cent of the value of the securities and transactions respectively. The changes would come into effect from July 1.

Some of the money raised would go to the Government rather than benefit the SEC, even though its budget is being raised substantially.

Both the National Association of Securities Dealers and the Securities Industry Association have objected to the added fees. The futures industry is furious about the transaction fee, which they believe will fall heaviest on the local traders who provide liquidity to Chicago's busy futures markets.

The futures markets have objected to the proposal for a new fee on transactions, warning that business might be encouraged to go elsewhere. Congress members from Illinois, where the two main markets are sited – in Chicago – have expressed reservations. They have considerable influence on the main tax-writing committees.

Mr Jack Lehman, head of commodities at Shearson Lehman Hutton, says the futures transaction fee and the increase in registration fees in the securities market would raise costs for the small investor.

As the markets are making all efforts to attract small investors and make them feel comfortable in the market, raising their costs will not help, he says.

US Treasuries post gains amid Gorbachev rumours

By Karen Zagor in New York and Martin Dickson in London

US TREASURY bonds posted gains yesterday afternoon for the first time since January 18, when signs that the Federal Reserve would not support easing of monetary policy sent the debt market into a tailspin.

GOVERNMENT BONDS

In late trading, the Treasury's benchmark 30-year bond was up ⅝ point at 95⅞, yielding 8.53 per cent. The yield on the long bond was as high as 8.62 per cent at its weakest price of the day.

At the short end of the yield curve, the two-year issue was quoted up ⅛ point, yielding 8.26 per cent. Medium-dated maturities were quoted as much as ⅜ point higher.

The Federal Reserve arranged two-day matched sale-purchase agreements when Fed funds, the rate at which banks lend to each other, were changing hands at 8⅛ per cent. The move, which drains reserves from the banking system, replaces last Thursday's five-day draining operation, which expired yesterday.

The debt market rally came on the back of a sharp rise in the dollar, amid reports that Mr Mikhail Gorbachev, is considering resigning. The report, on Cable News Network, said Mr Gorbachev would remain as president.

The dollar was quoted at Y145.20 and DM1.7020 in late New York trading, up from Y142.98 and DM1.6771 late Monday in New York.

In the absence of important economic data yesterday, the debt market focused on comments by Mr Alan Greenspan, chairman of the Federal Reserve, to the Joint Economic Committee. Mr Greenspan's comments about the US economic picture were vague. "I don't think we'd get a clear fix until well into the spring months," he said.

Mr Greenspan stressed that the risk of recession is "not negligible. We are still at risk," he said.

■ WEST GERMAN bond prices fell by up to 40 pfennigs in afternoon trading as the market reacted to news that the Government would set the terms of a new federal bond this Friday.

This set off hedging in the futures market, with a knock-on effect on cash Bunds. Other factors cited by analysts included the weakening of US Treasuries in the wake of Mr Greenspan's comments and domestic and East European political uncertainties.

The market had initially moved higher, helped by short-covering, and the Federal Government's 7¼ January 2000 bond was fixed at 97.31 after 97.15, to yield 7.64 per cent after 7.67 per cent, but in late afternoon trading it was quoted at around 97.10.

■ UK GOVERNMENT bond prices see-sawed up and down before dropping sharply at the longer end in the afternoon in reaction to Mr Greenspan's remarks on the US economy.

At the opening the market moved higher, in part following West Germany, but then moved erratically in a mixed reaction to the latest Confederation of British Industry quarterly industrial survey.

The market remained thinly traded, although some analysts reported foreign buying concentrated among medium-term issues. The benchmark 11¾ Treasury stock due 2003/07 was quoted near the close ½ a point down at 106⅛ to yield 10.81, while medium-dated stocks lost around ⅛, with the 12 per cent Exchequer 1998 quoted in late trading at 108⅜, against 108⅝ overnight.

■ JAPANESE government bond prices dropped on a weaker yen against the dollar and on inflationary fears. The Bank of Japan said the country's underlying prices were beginning to move upward again, and a bank official, commenting on the latest wholesale price figures, said close attention needed to be paid to how wage rises affect prices.

The market was also awaiting the results of yesterday's 10-year auction to gauge its near-term direction. Amid concern that the new bond could prove expensive, there was some hedge selling.

The yield on the benchmark 119th bond was at 6.58 per cent in late Tokyo trading, against its 6.53 close on Monday. In London's trading day, it moved in a volatile fashion, following the foreign exchange market, and in late trading was quoted at a yield of 6.64.

● SEARS, the UK stores group, yesterday became the latest issuer to buy back some of its sterling bonds, taking advantage of interest rate rises which have depressed values in the sterling bond market, Stephen Fidler adds.

A little over a quarter of the £200m issue – carrying a 10¼ per cent coupon and a 1993 maturity – was bought in by J.P. Morgan yesterday at a yield of about 100 basis points over gilts. This is equivalent to a price of 92 and an annual yield of about 13.68 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-09	+1/32	12.18	12.51	11.36
		10.500	5/99	96-02	-7/32	11.18	11.28	10.57
		9.000	10/08	89-19	-11/32	10.26	10.30	9.71
US TREASURY *		7.875	11/99	95-26	+3/32	8.51	8.27	7.92
		8.125	8/19	95-11	+3/32	8.56	8.30	7.97
JAPAN	No 111	4.800	6/99	89.3824	-0.781	6.64	6.54	5.71
	No 2	5.700	3/07	94.2010	-0.619	6.41	6.46	5.86
GERMANY		7.000	9/99	96.3000	-0.200	7.67	7.72	7.26
FRANCE	BTAN	8.000	10/94	91.5725	+0.071	10.32	10.33	10.21
	OAT	8.125	5/99	90.8800	-0.135	9.63	9.59	9.50
CANADA *		9.250	12/99	95.1500	+0.100	10.03	9.84	9.71
NETHERLANDS		7.500	11/99	94.8600	-0.090	8.28	8.32	8.02
AUSTRALIA		12.000	7/99	96.1109	-	12.71	12.74	12.90

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Jan 30 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jan 29 Index No.	Fri Jan 26 Index No.	Thu Jan 25 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (203)	890.38	-0.7	12.75	4.79	9.56	1.34	897.07	895.30	890.85	897.82
2	Building Materials (27)	1088.90	+0.2	14.46	5.19	8.62	0.36	1087.22	1088.64	1076.28	1124.63
3	Contracting, Construction (36)	1511.92	-0.5	16.41	5.22	7.98	0.14	1519.31	1522.72	1513.04	1665.59
4	Electricals (10)	2562.49	-0.9	10.50	4.85	11.97	0.00	2585.17	2577.82	2571.40	2638.18
5	Electronics (30)	1929.66	-1.5	9.29	3.74	13.92	9.76	1959.26	1949.58	1929.54	2015.81
6	Engineering-Aerospace (8)	453.00	-0.3	13.26	4.87	9.31	0.04	454.54	453.79	450.72	0.00
7	Engineering-General (45)	475.71	-0.7	11.76	4.93	10.26	0.34	479.02	478.64	476.63	0.00
8	Metals and Metal Forming (6)	461.89	-2.0	25.53	6.51	4.42	0.00	471.43	465.41	462.46	513.64
9	Motors (16)	381.81	-0.5	13.89	5.53	8.44	0.00	383.77	382.28	379.21	388.39
10	Other Industrial Materials (25)	1606.58	-0.8	10.49	4.49	11.86	3.00	1619.26	1617.44	1619.31	1514.61
21	CONSUMER GROUP (178)	1281.10	-0.4	8.82	3.71	14.15	2.10	1286.58	1288.52	1271.86	1167.76
22	Brewers and Distillers (22)	1507.58	-0.5	9.30	3.49	13.27	6.54	1515.37	1522.47	1503.49	1275.86
25	Food Manufacturing (19)	1124.16	-0.5	9.65	3.93	12.87	1.70	1129.61	1124.89	1123.35	1046.50
26	Food Retailing (16)	2313.47	+0.7	8.77	3.28	14.79	3.63	2297.21	2291.44	2285.73	2083.67
27	Health and Household (13)	2520.52	-1.0	6.21	2.60	19.17	0.20	2545.09	2522.27	2501.54	2061.61
29	Leisure (33)	1624.27	-0.2	8.29	3.64	14.87	0.54	1626.85	1612.65	1599.92	1529.86
31	Packaging & Paper (14)	576.99	-----	11.49	4.99	10.93	0.90	576.86	576.51	576.24	587.52
32	Publishing & Printing (17)	3562.30	-0.1	8.80	4.96	14.67	20.50	3566.99	3556.66	3558.86	3716.23
34	Stores (31)	779.58	-0.7	11.21	4.82	11.61	0.25	784.84	777.02	766.58	790.45
35	Textiles (13)	517.79	-0.4	11.17	5.79	10.86	0.00	519.69	515.62	511.49	522.37
40	OTHER GROUPS (103)	1168.20	-0.4	10.94	4.77	10.95	0.30	1172.79	1163.40	1157.83	1032.93
41	Agencies (16)	1539.30	-0.9	6.80	2.17	18.07	0.05	1553.96	1554.38	1543.66	1188.13
42	Chemicals (22)	1201.88	-1.0	12.62	5.36	9.34	0.27	1213.73	1205.56	1206.52	1165.58
43	Conglomerates (13)	1610.90	-0.4	11.16	6.09	10.53	0.00	1617.69	1604.53	1593.50	1434.03
44	Transport (13)	2287.65	-0.2	10.58	4.20	12.05	2.88	2291.28	2263.53	2257.31	2156.60
46	Telephone Networks (2)	1216.36	-0.4	10.44	4.21	12.46	0.00	1221.11	1198.61	1187.92	1136.98
47	Water (10)	2007.57	+0.3	17.36	6.75	6.38	0.80	2000.79	1989.53	1978.73	0.00
48	Miscellaneous (27)	1860.33	-0.1	9.53	4.42	11.84	0.91	1861.73	1867.47	1863.86	1427.17
49	INDUSTRIAL GROUP (484)	1162.31	-0.5	10.45	4.38	11.71	1.37	1168.09	1162.20	1154.98	1078.14
51	Oil & Gas (16)	2367.60	-0.1	9.11	4.82	14.50	6.21	2371.12	2356.42	2308.09	1964.75
59	500 SHARE INDEX (500)	1262.84	-0.4	10.26	4.38	12.04	1.75	1268.48	1261.88	1251.49	1153.51
61	FINANCIAL GROUP (114)	843.81	+0.7	–	5.04	–	0.35	838.01	833.02	821.25	755.59
62	Banks (9)	891.59	+1.1	19.22	5.63	6.04	0.00	881.86	872.31	856.85	762.27
65	Insurance (Life) (7)	1428.89	+2.0	–	4.65	–	0.00	1401.55	1398.94	1368.38	1066.98
66	Insurance (Composite) (7)	711.22	+0.9	–	5.32	–	0.00	705.03	703.14	689.05	598.48
67	Insurance (Brokers) (6)	1156.27	+1.2	6.42	5.45	20.72	0.00	1142.32	1144.67	1133.73	1025.85
68	Merchant Banks (8)	478.84	-0.5	–	3.71	–	0.00	481.07	479.88	478.18	344.52
69	Property (49)	1181.85	-0.7	7.76	3.65	16.31	0.94	1190.29	1183.77	1178.06	1303.17
70	Other Financial (28)	333.92	+0.2	12.62	6.31	10.39	1.44	333.34	333.19	333.22	383.82
71	Investment Trusts (68)	1228.12	-0.2	–	2.96	–	0.45	1229.97	1226.90	1218.06	1060.45
91	Overseas Traders (5)	1421.33	-0.7	10.72	6.43	10.98	30.79	1431.55	1472.40	1482.76	1373.48
99	ALL-SHARE INDEX (687)	1161.24	-0.3	–	4.45	–	1.55	1164.32	1158.48	1148.05	1054.97

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 29	Jan 26	Jan 25	Jan 24	Jan 23	Year ago
FT-SE 100 SHARE INDEX‡	2322.0	-6.8	2334.8	2321.3	2328.8	2314.5	2289.9	2278.6	2291.1	2051.8

FIXED INTEREST

	PRICE INDICES	Tue Jan 30	Day's change %	Mon Jan 29	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.18	+0.02	115.16	–	1.33
2	5-15 years	125.19	-0.19	125.54	0.11	1.31
3	Over 15 years	134.90	-0.29	135.29	–	0.00
4	Irredeemables	151.75	-0.68	152.78	–	0.00
5	All stocks	124.49	-0.14	124.72	0.06	1.19
	Index-Linked					
6	Up to 5 years	141.36	+0.06	141.27	–	0.00
7	Over 5 years	137.69	+0.05	137.62	–	0.47
8	All stocks	137.85	+0.05	137.77	–	0.44
9	Debentures & Loans	102.63	+0.06	102.61	0.04	0.35
10	Preference	82.25	-----	82.25	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 30	Mon Jan 29	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.67	10.64	9.12
2		15 years	10.22	10.17	8.92
3		25 years	10.09	10.04	8.86
4	Medium Coupons	5 years	11.72	11.69	10.13
5		15 years	10.59	10.54	9.38
6		25 years	10.21	10.15	9.04
7	High Coupons	5 years	11.86	11.84	10.38
8		15 years	10.80	10.75	9.52
9		25 years	10.35	10.29	9.09
10	Irredeemables†		10.16	10.08	8.87
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.06	4.08	3.56
12	Inflation rate 5%	Over 5 yrs.	3.78	3.78	3.64
13	Inflation rate 10%	Up to 5 yrs.	3.15	3.16	2.70
14	Inflation rate 10%	Over 5 yrs.	3.60	3.61	3.48
15	Debs & Loans	5 years	13.30	13.30	11.68
16		15 years	12.69	12.71	11.20
17		25 years	12.68	12.70	10.80
18	Preference†		11.28	11.28	10.11

‡Opening index 2325.5; 10 am 2324.4; 11 am 2332.5; Noon 2332.2; 1 pm 2331.0; 2 pm 2332.2; 3 pm 2328.2; 3.30 pm 2328.3; 4 pm 2322.3
(a) 10.49am (b) 9.24am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	25	63	12
Corporations, Dominion and Foreign Bonds	7	2	28
Industrials	255	435	922
Financial and Properties	120	172	406
Oils	18	31	45
Plantations	2	1	7
Mines	29	61	71
Others	53	95	102
Totals	509	860	1,593

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	95	Abtrust New Thai Inv.	97		–	–	–	–
§	F.P.	–	61	45	Do. Warrants	51	-1	–	–	–	–
§75	F.P.	–	91	81	‡Air London 5p	90	+8	R2.25	2.5	3.3	13.6
–	F.P.	–	1¼	¾	‡Atlantic Res. Warrants	1¼		–	–	–	–
–	F.P.	–	4½	1	Bear Brand Warrants	3½	-¼	–	–	–	–
§42	F.P.	–	45	37	*Biocare 1p	38	+1	–	–	–	–
†	F.P.	–	300	300	*Chartwell Group £1	300		N1.0	–	0.4	–
†	F.P.	–	215	215	*Citybond Storage Serv.£1	215		–	–	–	–
–	F.P.	–	49	39	First Philipps. Inv. Tst.	40	-2	–	–	–	–
–	F.P.	–	22	18	Do. Warrants	18		–	–	–	–
†	F.P.	–	59	57	Gartmore Eng. Pac.10p	58		N0.1	–	0.2	–
†	F.P.	–	26	23	Do. Warrants	25	-1	–	–	–	–
$100	F.P.	–	108	103	Grosvenor Dev. Cap.	107		–	–	–	–
§38	F.P.	–	43	38	*Image Store Hldgs. 10p	42		–	–	–	–
§	F.P.	–	600	461	JF Philippine Fd $1	461		–	–	–	–
†	F.P.	–	265	193	Do. Warrants	208		–	–	–	–
†	F.P.	–	665	616	Kyowa Bank Y50	665	+7	Q14%	4.7	0.4	47.9
100	F.P.	–	103	99	Lon. & New York Cr. Tst.	100	+1	R6.38	–	8.5	–
$10.5	F.P.	–	660	610	Malaysian Smllr. Co's Fd.	617	+7	–	–	–	–
§	F.P.	–	276	233	Do. Warrants	267	+14	–	–	–	–
–	F.P.	–	28	22	Merlin Intl Green Wrnts	27		–	–	–	–
§75	F.P.	–	78	68	‡Micklegate Group 1p	68	-2	R2.26	3.4	4.4	8.0
240	100	–	183	100	Northumbrian Water	182	+2	R16.1	3.6	6.6	4.5
35	F.P.	–	72	55	*Oxford Virology 5p	64		–	–	–	–
90	F.P.	–	93	90	Platinum Mining 20p	91		–	–	–	–
†	F.P.	–	11	9½	*Polysource Hldgs. 5p	9½	-½	–	–	–	–
240	100	–	157½	100	Severn Trent	147		R14.85	3.0	6.9	4.9
§25	F.P.	–	40	25	‡Storm Group 1p	36		–	–	–	58.1
†	F.P.	–	16½	12½	‡Surrey Group 5p	13½	-½	R0.23	3.3	2.2	12.7
†	F.P.	–	195	195	Sutton Dist. Water A 1p	195		–	–	–	–
†	F.P.	–	130	130	Do. B 1p	130		–	–	–	–
240	100	–	169	100	Thames Water	156½	+1½	R14.58	2.4	6.6	7.2
£2400	£1000	–	£1670	£1000	Water Package Units	£1635	+12	–	–	–	–
240	100	–	182	100	Wessex Water	177		R15.21	2.6	6.4	6.6
240	100	–	186	100	Yorkshire Water	179	+3	R15.42	2.4	6.4	7.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
–	F.P.	–	85p	73p	Bear Brand 10¾pc (Net) Cv.Cm.Pf	73p	
98.94	F.P.	–	99⅞	94⅛	British Inv. Tst. 11⅛pc Sec. Db 2012	94⅛	
89.65	£30	–	30½	28⅝	Brixton Ests. 10⅝pc 1st Mtg Db 2012	28⅝	
§99.68	F.P.	–	100½	95⅞	Foreign & Col. 11⅛pc Db. 2014 £100	95⅞	
§	£50	–	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln.1999	54⅞	-⅛
100	F.P.	–	100	97	Domitech 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
280	Nil	5/3	27pm	15pm	Cook (Wm.) 20p	15pm	-2
110	Nil	5/3	14pm	8pm	Fisher (A.) 5p	9½pm	-½
100	Nil	28/2	8pm	¼pm	Medeva 10p	¼pm	
90	Nil	–	3pm	1pm	Plateau Mining 20p	1½pm	-1½
670	Nil	–	100pm	91pm	Rank Organisation	97pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1990. R Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ♣ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Jan 22
● Last Dealings Feb 2
● Last Declarations Apr 26
● For settlement May 8

For rate indications see end of London Share Service

Calls in Tusker Res., Rodime, Mountleigh, Norfolk Capital, Norex, Cadbury Schweppes, INOCO and Oliver Res. Put in Courts (Furnishers).

LONDON TRADED OPTIONS

Record trading volumes in the Footsie index option was a feature of an active session on the London Traded Options Market yesterday. High volume in the FT-SE was due in large measure to today's expiry, but also to one trade of 37,000 contracts believed to have involved Bankers Trust.

The FT-SE traded a total of 43,975 contracts, or more than 9,000 over the last record daily volume on LTOM exactly a year ago on January 30 when the index traded 34,773 contracts. The total market yesterday traded some 69,000 contracts made up of 40,402 calls and 28,525 puts.

The exceptionally heavy Footsie activity was centred on a combination of selling out-of-the-money calls in February, buying out-of-the-money puts in February and selling March puts. The most active FT-SE was February 2,450 calls, a total of 6,000 contracts.

There were also relatively high volumes in individual equity options with BP, Hanson and the Water Package featuring. BP traded a total of 6,253 with business mainly in buying puts; calls were a mere 248 contracts. The most active series was April 300 puts, trading some 2,500 contracts.

Hanson business also was towards the puts side in a total of 2241 contracts, but the most active series was the May 240 calls. The Water Package was exclusively on the calls side; total business being 2,000 contracts, 1,000 in the March 1700 and an equal number in the May 1,700.

Open interest on the day was 725,819 for the total market and 115,685 for the Footsie.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*492)	460	55	65	80	8	17	20
	500	30	40	57	24	34	37
	550	11	21	34	60	65	67
ASDA (*112)	110	12	17	19	7½	10	11
	120	8	13	16	14	16	15
Brit. Airways (*200)	180	28	32	36	3	6½	8
	200	15	18	24	10	14	17
	220	6	10	16	23	26	28
Brit Com (*78)	80	11	13	18	8	12	15
	90	6	9	12	18	20	21
SmKl Beecham A (*551)	500	70	84	100	6	11	14
	550	33	51	68	22	27	32
	600	13	28	44	55	55	60
Boots (*269)	260	25	31	37	7	12	16
	280	12	19	27	17	23	26
B.P. (*334)	300	40	47	55	3½	5	7
	330	18	26	34	9	14	16
	360	6	12	–	29	30	–
British Steel (*130)	130	–	11½	13½	–	8	8½
	135	6	–	–	7	–	–
Bass (*1032)	1000	82	110	138	22	30	37
	1050	52	80	108	45	53	60
	1100	28	55	–	77	85	–
C & Wire (*545)	500	70	88	107	11	20	23
	550	38	55	75	30	38	43
	600	18	34	–	62	67	–
Courtaulds (*386)	360	44	52	61	7	14	16
	390	25	34	43	19	27	30
	420	12	20	–	38	44	–
Com. Union (*497)	460	46	62	74	10	15	17
	500	21	37	49	24	29	36
GKN (*429)	420	30	46	55	22	30	35
	460	14	26	35	50	55	60
Grand Met. (*619)	600	53	75	90	19	25	30
	650	27	47	60	45	48	52
I.C.I. (*1030)	1050	63	94	110	40	45	57
	1100	37	67	85	68	72	80
	1150	20	47	–	110	110	–
Kingfisher (*284)	280	22	28	36	10	17	21
	300	11	18	26	21	28	31
Ladbroke (*318)	300	32	39	52	7	11	13
	330	14½	20½	35	18	23	25
Land Secur (*496)	460	57	65	80	4	11	16
	500	29	38	55	20	26	33
M & S (*198)	180	26	29	36	2½	5	6
	200	11	17	22	9	12	13
	220	4	7½	–	23	25	–
STC (*249)	240	22	31	38	14	16	19
	260	12	21	27	24	27	30
Sainsbury (*264)	260	19	26	32	9	10	13
	280	9	16	–	19	20	–
Shell Trans. (*471)	460	28	45	55	17	20	27
	500	10	23	–	35	47	–
Storehouse (*116)	110	15	17	21	5	8	10
	120	8½	11	15	9	13	15
Trafalgar (*338)	330	32	38	50	15	23	25
	360	17	23	35	32	42	45

Option		Calls			Puts		
		Apr	Jul	Oct	Apr	Jul	Oct
Utd. Biscuits (*344)	330	30	40	47	11	13	15
	360	13	23	31	28	28	30
Unilever (*667)	650	42½	63	83½	14½	20	23½
	700	17	38	55½	41	45½	48½
Ultramar (*375)	360	35	48	60	13	17	22
	390	19	30	43	28	32	35
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*541)	500	50	65	82	3½	22	25
	550	17	40	55	21	42	50
BAA (*397)	390	17	38	45	7	15	20
	420	4½	21	29	26	32	38
BAT Inds (*801)	800	28	60	88	19	35	41
	850	8	37	57	52	65	68
BTR (*437)	420	25	40	54	4	15	18
	460	4	20	32	27	35	37
Brit. Telecom (*296)	280	18½	31	38	2	5½	9
	300	5½	18	24	9	13	16½
	330	1	6½	11	36	37	37
Cadbury Sch (*352)	330	29	40	54	4½	11	16
	360	12	24	37	16	28	29
	390	5	13	–	40	50	–
Guinness (*656)	650	22	41	63	14	30	33
	700	4	21	38	48	58	60
GEC (*236)	220	17	30	34	2½	6	11
	240	4½	17	21	9	14	18
Hanson (*225)	220	9	20	24½	3	6½	9½
	240	1½	9½	15	15½	17	20
LASMO (*611)	550	67	90	108	3	12	17
	600	28	55	77	13	25	35
P. & O. (*604)	600	19½	39½	58	10½	29½	33½
	650	3½	18½	32½	48	62	63½
Pilkington (*224)	220	10	23	27	5	9	15
	240	2½	13	17	18	22	27
Prudential (*225)	220	9	15	22	7	11	14
	240	2	7	13	17	21	24
Racal (*219)	210	16	27	–	5½	9	–
	220	–	–	28	–	–	17
R.T.Z. (*511)	500	–	38	58	–	23	27
	542	9	–	–	33	–	–
Scot. & New (*329)	300	33	48	57	2½	7	14
	330	10	30	37	14	20	25
Tesco (*200)	180	22½	27½	34½	1½	3½	4½
	200	6½	14½	21½	5½	9½	11½
Option		Mar	May		Mar	May	
Ferranti (*39)	35	7½	10	–	3½	5½	–
	40	5	7½	–	6	7	–
Option		Apr	Jul		Apr	Jul	
Jaguar (*849)	800	–	52	–	–	¼	½
	850	¼	½	–	–	1	–
Option		Feb	May		Feb	May	
Plessey (*268)	260	11	–	–	½	–	–
	280	¼	¼	–	–	–	–
Option		Mar.	May	Aug.	Mar.	May	Aug.
Polly Peck (*405)	390	36¼	47½	62½	13¼	22½	27½
	420	20½	31½	46½	28½	39	43
Thames Water (*156)	140	20	22	28	¼	3½	6
	160	7	11	16	8	10	16
	180	2	5	–	25	25	–

Option		Calls			Puts		
		Mar.	May	Aug.	Mar.	May	Aug.
Water Hldg Pkg (*£1635)	1600	95	140	170	45	55	105
	1650	70	110	140	65	75	130
	1700	40	85	115	100	105	150
Option		Feb.	Apr.	Jun.	Feb.	Apr.	Jun.
Reuters (*1055)	1000	36	71	97	25	44	51½
	1050	14½	47	71½	55	71½	78¼
Option		Mar.	Jun.	Sep.	Mar.	Jun.	Sep.
Abbey Nat. (*183)	180	10	15	20	7	10	12
	200	3	8	–	22	25	–
Amstrad (*49)	45	8	11½	14	4	5½	7
	50	5	9	11½	6	8	9½
Barclays (*566)	550	33	48	58	18	25	32
	600	9	23	35	53	55	60
Blue Circle (*234)	220	22	25	32	5	10	16
	240	–	15	22	–	25	28
British Gas (*219)	200	23	31	34	2	5	5½
	220	9	18	21	7	11	13
Dixons (*125)	120	9	16	20	2½	8	9
	130	4	11	14	7	12	14
Glaxo (*722)	700	49	75	100	16	27	32
	725	34	60	–	27	38	–
Hawker Sidd. (*671)	650	50	72	100	20	32	45
	700	27	45	70	45	60	70
Hillsdown (*268)	260	20	28	38	6	11	14
	280	10	17	26	16	22	23
Lonrho (*277)	260	30	43	–	6	10	–
	280	15	31	38	14	19	22
Midland Bk (*383)	360	33	43	53	14	18	27
	390	11	31	37	33	38	42
R. Royce (*177)	160	22	25	30	2	6	7½
	180	8	13	20	10	14½	16½
Sears (*103)	100	7½	10	13	3	5½	8½
	110	3	6	9	9	13	14
THF (*292)	280	23	29	40	6	12	15
	300	11	18	29	14	23	24
Thorn EMI (*789)	750	60	93	102	10	18	30
	800	27	62	71	29	37	50
TSB (*142)	130	13	21	23	3	5	7
	140	6	13	16	6	9	10
Vaal Reefs (*$130)	130	11	19	21	10	15	17
	140	7	12	17	16	20	23
Wellcome (*724)	700	58	58	126	30	45	55
	750	35	73	103	57	73	80

FT-SE INDEX (*2322)

	2100	2150	2200	2250	2300	2350	2400	2450
CALLS								
Jan	228	178	128	78	28	1½	¼	½
Feb	243	196	150	108	70	42	23	13
Mar	258	217	175	138	102	73	52	33
Apr	–	–	–	160	128	97	75	55
Jun †	305	–	227	–	155	–	103	–
Dec †	–	–	315	–	247	–	190	–
PUTS								
Jan	1	1	1	1	2½	27	78	128
Feb	9	12	19	27	42	65	98	135
Mar	17	24	32	43	58	80	108	145
Apr	–	–	–	52	68	88	120	155
Jun †	30	–	48	–	77	–	131	–
Dec †	–	–	88	–	120	–	165	–

January 30 Total Contracts 69,927
Calls 40,402 Puts 28,525
FT-SE Index Calls 26099 Puts 17876
*Underlying security price. † Long dated expiry mnths

UK COMPANY NEWS

Increased holding in Van Lanschot part of European strategy

NatWest doubles Dutch bank stake

By Laura Raun in Amsterdam

NATIONAL WESTMINSTER, the UK's second largest bank, plans to double its stake in F van Lanschot Bankiers, the Dutch merchant bank, to 80 per cent in line with its European expansion plans.

NatWest intends to buy the additional 40 per cent stake from the other major shareholder, Rabobank, the Dutch co-operative bank. Dutch press reports said Rabobank would end up with about Fl 150m (£47m) if the talks are successful but neither NatWest nor Van Lanschot would comment on the price.

Van Lanschot is a medium-sized Dutch bank that caters to wealthy individuals, institutional investors and medium-sized businesses. Founded in 1737 to engage in colonial trade and finance in Antwerp and Den Bosch, it provides high-quality, specialised service based on intimate knowledge of the Dutch market.

Based in Den Bosch, Van Lanschot has 20 branches in the Netherlands plus five subsidiaries and representative offices in London, Zurich, Curacao, Jersey and Luxembourg. With total assets of Fl 7.2bn as of June 30 1989 it earned profits of Fl 27.3m. The Van Lanschot family plans to keep its 14.6 per cent stake, as does Delta Lloyd, the Dutch insurer which owns 5.4 per cent. The latter is a subsidiary of Commercial Union, the UK insurance group.

Like most Dutch companies, Van Lanschot jealously guards its identity and character. Thus the majority of supervisory board members will remain Dutch and the management board will stay the same. Today it is run by Mr Jan Cees van Lanschot, the eighth generation of the Dutch dynasty, who plans to retire next year.

NatWest took a 40 per cent stake in Van Lanschot in 1964; Rabobank bought a 25 per cent stake, later enlarging it to 40 per cent. Rabobank is selling out to concentrate on a "substantial reinforcement of its position as an internationally operating wholesale bank," including co-operation with other European co-operative banks.

NatWest is pressing ahead with preparations for the European single market in spite of a troubled 1989. "We are discussing this opportunity to increase our shareholding in Van Lanschot as part of our strategy of developing profitable market segments in key European countries," explained Mr Ian Farnsworth, NatWest's General Manager for European Businesses.

Employee share options offered last year could increase the outstanding share capital by as much as 5 per cent by 1995, trimming NatWest's holding to around 76 per cent. The 20 per cent held by the family and Delta Lloyd would dwindle to about 19 per cent.

David Lascelles, Banking editor, writes: NatWest has adopted a cautious approach to expansion in Europe, preferring only to advance where suitable acquisition opportunities arise. In addition to the Netherlands, the bank has bought businesses in Spain, France and Switzerland.

The expansion of the Van Lanschot stake will make it the most strongly represented UK bank in the Netherlands.

Lower advertising spend limits Goodhead

By David Owen

THE PRONOUNCED downturn in UK advertising expenditure has led to significantly slower progress at Goodhead Group in spite of better-than-expected contributions from recent acquisitions.

The Bicester-based printing, free newspaper publishing and design group unveiled pre-tax profits of £2.75m for the six months to November 30. This was a scant 2 per cent improvement on the £2.7m achieved a year earlier. Sales climbed to £38.05m from £30.41m.

The company's UK publishing unit contributed only one fifth of overall profits, against close to one third in the year to May 31. This was in spite of encouraging figures from Essex Products, the readers offers company.

Goodhead has responded to the difficult trading conditions by cutting overheads. It expects the installation of direct entry to produce significant further benefits that will start to accrue in the 1990-91 financial year.

The performance its recently-acquired North American publishing interests, by contrast, was ahead of forecast. Goodhead attributed this chiefly to the successful application in this new region of sales and product improvement techniques employed in the more competitive UK free newspaper market.

Printing contributed more than half of overall profits – a proportion which may continue to grow in the second half as the first benefits of new investment are felt.

The group has made major investments at its Portbury and Alcester printing factories. Alcester, in addition, is well-placed to benefit from the completion of the M40 extension.

Results from Goodhead's design unit were disappointing as clients cut back on spending, but the paper division, which buys and sells newsprint, performed strongly.

Goodhead expects to sell and lease back certain assets in the second half, in a bid to reduce gearing. Its freehold property portfolio is now valued at about £12m.

Fully diluted earnings per share slipped marginally to 10.2p (10.4p). The interim dividend was maintained at 1.75p.

● **COMMENT**

The conventional view is that Goodhead is unlucky to be lumped with larger giants of the print and publishing sector and that its share performance has been depressed accordingly. Certainly, the current figures demonstrate the group's resilience: to report flat results is quite an achievement in the current environment. The group's sectoral and geographic spread also augurs well in terms of durability. However, the extent of Goodhead's exposure to consumer-related advertising spending is still substantial. This coupled with its relatively high gearing and the poor performance of the design unit suggests that the outlook for the coming six months is far from rosy. Despite the undemanding prospective p/e of little more than 7 on anticipated full-year profits of about £5.5m pre-tax therefore, share performance in the immediate future is unlikely to be sparkling. With the dividend merely maintained, there is not even the comfort of a significant yield premium to limit downside potential. Caution would be advised until the full impact of the downturn can be better gauged, although a longer term view could be rewarded.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AIM ....int	2.4†	Apr 2	2.4	-	9
Davies (DY) § ....int	1.8†	Apr 17	1.5	-	5
Dudley Jenkins §....int	1.2†	Mar 23	1	-	5
Gardiner ....fin	0.6†	Apr 7	0.5	0.9	0.75
Goodhead ....int	1.75	-	1.75	-	5.6
Lowe (Robert H) ....fin	0.25	-	2.25	1.5	3.5
Microgen ....fin	4.5	Apr 6	4.5	6.7	6.5
Partridge ....fin	0.75	-	-	0.75	-
Ransom (William)....int	0.525	-	0.5	-	1.54
Rush & Tompkins ....int	4	Apr 6	4	-	15.2
Scot National ....int	1.7	-	1.4	-	7.4
Shelton(Martin)§....int	0.75	Feb 26	0.5	-	2
Throgmorton Tst ....fin	2.38	Apr 4	1.85	3.18	2.65

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Panic selling hits SeaCon shares

By Andrew Hill

PANIC selling by New York arbitrageurs continued to hit Sea Containers' share price yesterday, as the ferry and containers group announced a further delay in agreeing a deal with Tiphook and Stena.

Since Monday the shares have fallen by nearly 8 per cent, as fears about the collapse of the junk bond market have spilled over to affect other deal stocks. Yesterday, Sea Containers stock was trading at about \$56½, compared with a peak of more than \$70 last year.

Tiphook, the UK container rental and leasing company, and private Swedish ferry operator Stena launched a hostile break-up bid for Sea Containers last May.

Two weeks ago Mr James Sherwood, the group's president and a vehement opponent of the Anglo-Swedish bid, said he would recommend his board to accept an improved deal involving the sale of ferry and container assets to the two companies.

However, negotiations between the two sides have taken longer than expected and yesterday the deadline for agreement was again extended, this time until 12 noon today, New York time.

The impatience of Sea Containers' shareholders at this stage, after so many months waiting for an end to the bid, has astonished some observers.

One US analyst said yesterday: "The arbs are being pummelled. They're fighting for survival. They couldn't give a damn about the fundamentals any more – it's simply a question of preserving the cash they've got."

See Lex

Holographics loss rises to £1.4m midway

Losses at USM-quoted Applied Holographics continued to increase in the six months to end-September, rising to £1.4m from £997,451 a year earlier.

Shares reacted to the results dropping 43p during the day, closing 18p lower at 285p.

Turnover increased substantially from £476,165 to £2.27m. The chairman said that growth in demand had been excellent and he was sure that a substantial market opportunity existed for the group.

In the second half results to date showed a further significant increase in turnover which gives the directors optimism particularly with regard to the current year.

Loss per share worked through at 9.3p (7.1p).

Directors said, the trading loss was higher at £1.55m (£1.25m) due to investment made in the US and retail division during the first six months.

Extraordinary net gain of £345,312 resulted from the sale of Swiss assets.

The company does not pay a dividend.

BAe and Thomson-CSF merging guided weapons businesses

By David White, Defence Correspondent

BRITISH AEROSPACE and Thomson-CSF, the French state-controlled military electronics group, are merging their guided weapons businesses in a move unprecedented in the European defence industry.

The new company, Eurodynamics, in which each company will have a stake of 50 per cent is expected to have annual sales of £1.4bn.

The move has the approval of both the UK and French governments.

They have given themselves a year to work out how to implement the merger. Yesterday the two partners announced plans for an intermediate stage, setting up Eurodynamics initially as a non-trading management company with the task of drawing up plans for integrating the UK and French businesses.

BAe and Thomson-CSF have been discussing a link-up for two years. The UK company's interests are mainly in the missiles themselves, while the French company's are in guidance systems.

BAe executives admitted there was "a lot of work still to be done". The merger comes after a year of sharp cuts at BAe (Dynamics), the missile division, with the number of manufacturing sites reduced from nine to four and the workforce down from 16,000 to 12,000.

The two companies see the joint venture as a means of strengthening their position as prime contractors by covering all the key areas of technology at a time when it is expected that there will be a fall in the number of new projects. Areas of lower technology could be farmed out to other suppliers.

The merger is also designed to enable sufficient resources to be made available to fund research and development for new weapons and to compete with US companies.

In the UK, GEC-Marconi has until recently been the standard supplier of guidance systems for BAe missiles. BAe said the merger would not exclude GEC-Marconi but it would be forced to compete with its French rival.

Ferranti plans further disposals

By Hugo Dixon.

FERRANTI International is hoping to sell two of its small components businesses to their managements as part of its continuing programme of reorientating its activities following the discovery last year of an alleged £215m fraud at the group.

The two businesses, both based in Dundee, had a combined turnover of £16m in the year to the end of March 1989 and are incurring small losses, Ferranti said yesterday.

The company also announced that about 130 of the 525 jobs at the Dundee businesses would have to go because of their recent disappointing financial performance.

"This action is considered necessary to provide a base for future prosperity of the business at Dundee, whether or not the management buy-out negotiations are successfully completed."

One of the businesses makes industrial and medical lasers, the other components such as microwave tubes and connectors.

Ferranti said it hoped to complete the disposals by the end of March. However it refused to put a figure on how much it expected to raise.

The proposed buy-outs do not include Ferranti's industrial components group at Dalkeith nor any other businesses within the components and controls division.

Security purchase helps Gardiner advance 53%

By Andrew Hill

GARDINER GROUP, the security products distributor, lifted pre-tax profits by 53 per cent to £2.91m in the year to October 31, compared with £1.89m in 1987-88.

The security division of Bridgend Group, which Gardiner bought last April, generated profits of some £400,000, although Mr Yashar Turgut, Gardiner's managing director, said yesterday that the main benefits of rationalisation and integration of the division would come through in the current year.

"This year the division is truly operating within the Gardiner philosophy: lean, mean and tough," he said.

Gardiner already claims between 80 and 85 per cent of the UK security products distribution market and Mr Turgut yesterday repeated his determination to move Gardiner strongly into continental Europe before 1993. The group has subsidiaries in Belgium and the Netherlands and will be looking to expand, either through acquisition or by opening new branches in France, Spain, Scandinavia and Italy.

Meanwhile Gardiner is creating a new division initially to demonstrate and distribute closed circuit television surveillance products.

The acquisition of the Bridgend division and the £2.2m cash purchase of ADL, Tunstall's fire and burglar alarm business, before Christmas have increased borrowings, so that they now match shareholders' funds.

Mr Turgut said the group would be unlikely to make cash acquisitions in the short term, and would try to reduce gearing to about 60 per cent by the year-end. However, he added that the year's interest charge of a little less than £300,000 was well-covered by profits.

Turnover rose from £17.8m to £26.89m and earnings per share were up 41 per cent to 4p (2.84p).

Gardiner is recommending a final dividend of 0.6p, making a total of 0.9p (0.75p) for the year.

Two other security companies – Automated Security (Holdings) and Scantronic Holdings – each own 20 per cent of Gardiner.

● **COMMENT**

Mr Turgut's explanation of the resilience of the security industry during hard times is simple: recession leads to an increase in petty crime which means more people buy burglar alarms. The reasoning doesn't sound that convincing, but then Mr Turgut has not noticed any slackening of demand for Gardiner's products – 90 per cent of which go to the domestic market – so one is reluctant to doubt him. Certainly security companies have shown themselves hardier than most in past downturns, and Gardiner in particular has plenty to buoy it up. The UK market continues to grow, the main benefits of the Bridgend and ADL acquisitions are still to come, and the group is stalking European distributors, with a judicious eye on 1992. Assuming Gardiner makes more than £5m before tax this year, a prospective p/e of about 11 looks attractive despite being a premium to the market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Johannesburg Consolidated Investment, Oceana Consolidated, Optical & Medical International, Platignum, Prism Leisure, Sanderson Murray & Elder, Smith (WH), West Industries.

Finals- Allied Textile, Central Motor Auctions, Colorvision, Domino Printing Sciences, Moorfield Estates, RCO, Tilley International.

FUTURE DATES

Interims-	
BM	Feb. 23
Bryant	Feb. 12
Really Useful	Feb. 20
Finals-	
Akzo	Feb. 20
Cons Sutherlands Mines	Feb. 6
Griqualand West Diamond	Feb. 8
Lambert Howarth	Mar. 13
Porvair	Feb. 22
Sandvik	Mar. 6

هكذا عند الأصل

Microgen hit by restructure and suspected fraud

By Alan Cane

A SUSPECTED fraud, the cost of major management restructuring and a higher tax charge in Sweden have conspired to reduce profits at Microgen, the information management systems group, for the first time in six years.

The company, which claims to have 60 per cent of the UK market for bureau-based computer output on microfilm, laser printing and computer aided typesetting, reported pre-tax profits of £7.2m for the year ended October 31 1989, a decline of 28 per cent on the previous year and about £2m below analysts' expectations.

Earnings per share were hit even harder – down 35 per cent at 11.1p reflecting the higher Swedish tax charge which cost the company some £300,000.

Sales were up 14 per cent at £45m compared with £39.5m a year earlier. The company had warned at the half-way stage that profits would be lower and its shares closed at 121p, only 4p down on the day.

Mr Patrick Barbour, chairman, said the company had made a provision of £839,000 against what he described as the possibility of a deliberate and systematic fraud.

The police are now completing investigations into the matter and are expected to lay charges against a former senior executive of the company. Mr Barbour said that as the case was now *sub judice* he could give no further information. The company hoped, however, to recover a proportion of the missing funds.

He said that revamping the management structure of the UK company and redirecting its strategy towards information management services had cost some £600,000. Losses from the ill-advised purchase of a direct mail company, shortly to be sold, cost £200,000 and the write-off of demonstration stock, £360,000.

The directors recommend a final dividend of 4.5p making a 6.7p (6.5p) total.

● COMMENT

Analysts were understandably irritated by Microgen's figures after expecting pre-tax profits in the £9m region. They believe, however, the company is basically sound and that it has now revealed all the bad news. Many of the problems seem to have been the result of sloppy management which failed to anticipate the need for investment in a new generation of computer equipment or to understand how difficult it would be to integrate Microgen and Scan Laser, the two principal companies in the group. Mr John Thorpe, formerly managing director of the security print division of De La Rue, has now taken over as group managing director. Analysts are nowforecasting pre-tax profits of at least £9m for 1990.

Invicta Sound extends its range with French buy

By John Thornhill

INVICTA SOUND, the Kent-based radio company, will soon be soothing the ears of half a million French listeners after buying the evocatively-named Radio Nostalgie licence for the Boulogne and Calais region.

Radio Nostalgie's programming is aimed at the over-35s – what Invicta calls the "golden oldies marketplace." The station broadcasts middle-of-the-road music such as Frank Sinatra.

The USM-quoted Invicta also has an interest in Continental FM, which broadcasts in north-west France. Mr Nigel Reeve, Invicta's managing director said this station aimed its programming at 15 to 34-year-olds, but added that the two stations would be able to benefit from sharing the same advertising sales team based in Boulogne.

The acquisition has been made through Invicta's wholly-owned subsidiary, Invicta Continental, to comply with French broadcasting rules.

The cost of the purchase was not disclosed but Mr Reeve said it could be funded out of Invicta's cash flow.

● Southern Radio Holdings has increased its shareholding in Invicta Sound to 19.8 per cent. Earlier this month it bought a 15 per cent stake from Crown Communications. Invicta has previously been in merger talks with Southern and Mr Reeve did not discount the possibility that they would begin again. But he considered that such discussions were unlikely to take place in the immediate future.

Throgmorton Trust's assets decline to 99.3p

By Andrew Bolger

THROGMORTON TRUST, the investment trust which owns the Framlington fund management group, yesterday reported a 2.2 per cent drop in net asset value from 102.22p to 99.26p over the year to November 30.

During the same period, the FT All-Share Index rose by 22 per cent, but Throgmorton suffered because of its focus on smaller companies.

The final dividend goes up to 2.38p (1.85p), making a total for the year of 3.18p (2.65p) per share.

Gross revenue increased from £19.51m to £25.32m, but dividends from investment dropped from £13.36m to £12.8m. Expenses and interest took £13.72m (£8.95m).

Framlington made pre-tax profits of £6.71m in the period. Its results were not consolidated, but the fund management business does have an impact in terms of income received by Throgmorton, and on interest payable by the group.

Lord Ezra, chairman of the trust, said: "The flow of revenue was higher in the second half of the year, producing a satisfactory result for the 12 months as a whole."

He added: "The trust's asset growth was affected by the underperformance of smaller companies but the board now considers the heavy markdown of such shares has created favourable circumstances for investment."

Ascending the slopes and seeking new horizons

James Buxton and **David Owen** on East of Scotland Industrial Investments' hostile bid for Saltire

THE COVER of East of Scotland Industrial Investments' latest annual report depicts a string of cable cars on a mountain.

This is the Nevis Range Development Company, a project to develop skiing on the slopes of Aonach Mhor, near Ben Nevis in the West Highlands.

Skiing is just one of the diverse sectors in which ESII, an unquoted investment group with holdings chiefly in unlisted companies, has an interest. Others include waste disposal, structural steel engineering and printed circuit board manufacture. The group's 15.7 per cent stake in Nevis Range is a relatively small investment, having cost just £137,500.

Now the company is attempting to add insurance to its portfolio through a hostile £11.8m bid for Saltire Insurance Investments, a fellow Edinburgh investment trust founded by Hodgson Martin in mid-1987 to invest in groups offering insurance and related services.

The offer, which is worth 78.75p per share, is equivalent to 105 per cent of Saltire's estimated formula asset value on January 23.

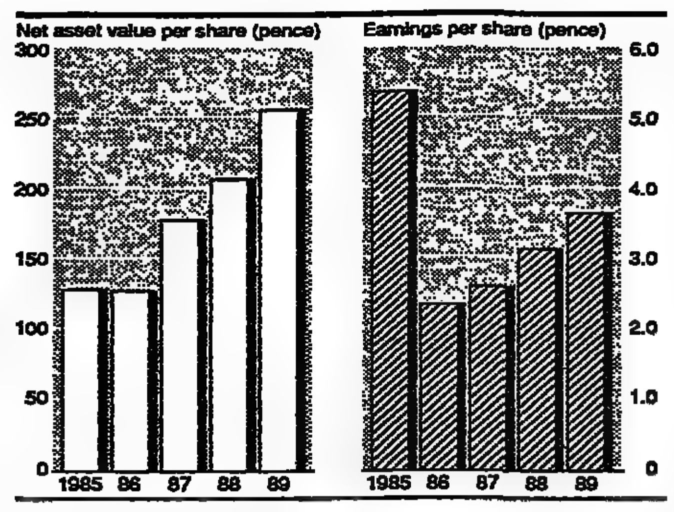
The offer document and subsequent comments made by ESII make much of Saltire's poor performance. And indeed the group is rated the worst *performing Scottish invest*ment trust out of 44 over the past two years.

But what of ESII's own performance? After all, the company's net asset value per share was in marginal decline between 1984 and 1986 before registering strong growth over the next three years.

In fact, analysts tend to regard ESII as a one-stock company which has come good thanks to its holding in Shanks & McEwan, now one of the UK's largest waste disposal companies.

Shanks & McEwan came to the stock market in early 1988 with its shares priced at 650p. Last year, a combination of earnings growth, the vogue for "green" stocks and the group's ownership of large tracts of landfill space in the south-east of England carried the shares to £18. They are now back to £13.35.

Quayle Munro, the Charlotte Square-based merchant bank which manages ESII, advised Shanks & McEwan on the 1982 financial reconstruction that



set it on the path to growth. ESII's 700,000 shareholding in the company is now worth £9.38m (or more than ten-times its cost), accounting for more than 40 per cent of overall assets.

Nonetheless, Mr Michael Munro, who runs ESII, is at pains to stress that Shanks & McEwan is not a lone shooting star. He points out that eleven companies in which ESII has invested in over the past five years have either obtained a listing or quotation, or been taken over.

He says: "You are always going to have one spectacular winner. We are always fairly conservative in our valuations of unquoted companies. There are several other interesting companies in our portfolio."

Quayle Munro has also had its share of problems.

East of Scotland Onshore, an investment trust involved in unquoted oilfield service companies and an ESII sister company, for example, was hit by the oil industry downturn. It was eventually taken over in 1985 by IFICO, an investment company, at a price not unfavourable to shareholders.

More recently, Aonach Mhor, having opened just before Christmas, was hit by a series of well-publicised incidents involving equipment malfunctions and the injury of a skier on the resort's ski-lift.

Mr Munro says that the faults were immediately rectified by the Austrian contractors and that Nevis Range should benefit in the longer run from the fact that snow tends to lie longer on Aonach Mhor than at competing Scottish resorts.

Nevis Range is one of several recent operations which have brought a higher profile to Quayle Munro in its seventh year of existence. The company was founded by Mr Munro and Mr Ian Jones – whose middle name is Quayle – in 1983.

After a number of corporate finance deals, it lately broke new ground when it was chosen to advise the Scottish Office on the privatisation of the Scottish electricity industry.

In addition, it counselled the government on the future of the Scottish Development Agency's investment activities. Having told the government how to organise the sale of the state-owned Scottish Bus Group, it is also involved in the sale of the individual units into which it is being divided.

Mr Munro regards these and other activities as "steps up the ladder" to become a bigger player in the Edinburgh corporate finance scene.

In 1990, whether or not the Saltire bid succeeds, ESII intends to seek investment trust status. This is likely to be a valuable step for the group, since it would lose its liability for capital gains tax on its investment successes.

Though investment trusts do not normally have more than 15 per cent of their assets in any one share, Mr Munro does not expect ESII's interest in Shanks & McEwan to present an obstacle to this ambition.

The timing and form in which the company made the investment means that this restriction will not apply, he says.

Rush & Tompkins builds a 7.4% advance to top £3.5m

By Vanessa Houlder

RUSH & TOMPKINS, the UK developer and contractor, yesterday announced a 7.4 per cent increase in pre-tax profits from £3.32m to £3.56m for the six months to September 30 1989. Turnover increased from £110.19m to £138.54m.

Mr Nigel Dunnett, managing director, struck a note of caution about the effect of tough market conditions on several joint ventures which are due to be sold in the second half. However, negotiations were under way and he was quietly confident, he said.

In the first half four developments were sold. They were a retail and office development in Bristol, a retail development in Kilmarnock and industrial investments in Southampton and Glasgow.

Mr Dunnett said he was basing decisions on the supposition that interest rates would come down in the autumn. "At the moment I do not see any reason to sell properties at a massive discount," he said.

The programme of joint venture developments was going well, particularly in Scotland and the north of England, said Mr Dunnett.

Nigel Dunnett: basing decisions on the supposition that interest rates would come down in the autumn

In Europe an office park development in Hamburg is due to start later this year. Planning consent has also been granted for an office block in Lisbon.

The group's interests in the Bahamas were going well, said Mr Dunnett. However market conditions in the US remained difficult.

Agreement has been reached with Hochtief of West Germany, a major shareholder, to undertake road, bridge and motorway projects in the UK.

After being restructured in 1986 Rush & Tompkins has specialised as a contractor/developer. It invests no more than 50 per cent in a single development for which it also does the contracting.

Earnings per share increased fom 15.6p to 15.7p, and an unchanged dividend of 4p is declared.

Roskel expands via acquisition

ROSKEL, the USM-quoted suspended ceilings and partitioning specialist, has acquired Access Rental and its subsidiaries, for a total of £1.8m.

The consideration was satisfied by the issue of £1.59m ordinary shares, of which 793,247 are being retained by certain of the vendors. The balance has been placed with institutional investors at 111p per share.

The company is also raising about £234,000 in a placing for cash of 210,537 new ordinary, again at 111p per share. Proceeds will be used to provide the enlarged group with additional working capital.

Access, which specialises in the hire of hydraulic lifting platforms and mobile alloy towers, made pre-tax profits of £230,438 in the year to May 31 1989 on turnover of £1.84m. Assets at that date were £884,482.

Martin Shelton improves to £80,000

Martin Shelton Group, the USM-quoted supplier of diaries, calenders and business gifts, reported pre-tax profits 16 per cent higher at £80,000 for the six months to September 30.

Turnover rose 28 per cent from £1.06m to £1.3m. The interim dividend is lifted 50 per cent to 0.75p (0.5p), payable from earnings ahead 18 per cent to 1.04p (0.88p) per 10p share.

Stonehill

Stonehill Holdings, a furniture maker and property investor, yesterday announced sharply increased pre-tax losses at the interim stage.

For the six months to September 30 the deficit rose from £396,000 to £904,000.

Turnover declined from £6.01m to £4.19m, with losses per share amounting to 4.73p (2.52p).

Correction

Honorbilt

Honorbilt is issuing shares worth £500,000 to pay for the brand names and certain assets of Parkes Clothing. The terms were incorrectly reported yesterday.

Colonnade helps build bid defence with £1.55m sale of TIP Europe shares

By Andrew Bolger

COLONNADE Development Capital, a small investment company which is the target of an £8.24m hostile cash bid, yesterday announced that it had raised £1.55m by selling 860,185 shares in TIP Europe, the trailer rental group.

Stratagem Group last week offered 163p per share for Colonnade, which rejected the offer as inadequate. In December Stratagem led shareholder opposition which blocked a plan by Colonnade to reorganise its management and purchase British and Commonwealth Holdings' development capital arm, Colonnade's investment manager.

Colonnade said that following the TIP Europe disposal, its portfolio yesterday contained cash, cash receivables and quoted government securities with a total value of £7.1m (representing 140p per Colonnade share in addition to the proposed dividend of 3.2p net for the year to October 31).

Colonnade also said it held equity investments in Imtec Group, which makes drawing office equipment; Sherwood Computer Services; JT Ellis, a furniture maker; Reedpack, a paper company; and Pelham Communications, a marketing services group.

Mr Richard Wevill, a director of Colonnade, said it was a matter of public record that his group owned 53.1m shares in Imtec, which had a current market value of £1.86m.

That stake alone would add an extra 37p to the value of each Colonnade share.

Colonnade repeated that the Stratagem offer of 163p per share did not represent fair value for shareholders.

Colonnade shares were now trading ex the dividend payable for the year ended October 31, effectively making the offer worth only 159.8p per share. Shareholders were urged to await the board's own proposals to maximise shareholder value.

Stratagem said yesterday that it had bought 250,000 shares in Colonnade on Monday at 163p each, representing 4.9 per cent of Colonnade's share capital.

This brought the number of shares either owned or controlled by Stratagem to 18.1 per cent.

Prior to the offer Stratagem said it owned 4.5 per cent of Colonnade's ordinary shares.

On announcing the offer, it had received expressions of support from holders of 42.7 per cent of Colonnade's shares, of which it had subsequently bought shares representing 13.8 per cent of the total.

Colonnade shares closed unchanged at 165p, and Stratagem remained at 185p.

NOTICE TO HOLDERS OF WARRANTS
issued by
NIPPON STEEL CORPORATION
in connection with its
U.S. $600,000,000 3¼ per cent.
Bonds due 1992 with Warrants
(the "1992 Bonds")
and its
U.S.$1,200,000,000 4⅛ per cent.
Bonds due 1993 with Warrants
(the "1993 Bonds")

Nippon Steel Corporation (the "Company") on 26th January 1990 issued its ¥100,000,000,000 0.10 per cent. Bonds due 1994 with Warrants and on 27th January 1990 250,000,000 shares of its common stock.

NOTICE IS HEREBY GIVEN that as a result of those two issues the Subscription Price of the Warrants issued in connection with the 1992 Bonds changed from ¥687.0 to ¥685.20 on 26th January 1990 and then from ¥685.30 to ¥682.10 on 27th January 1990, and the Subscription Price of the Warrants issued in connection with the 1993 Bonds changed from ¥932.00 to ¥929.50 on 26th January 1990 and then from ¥929.50 to ¥925.30 on 27th January 1990.

Save for those adjustments to the Subscription Prices the terms of the Warrants issued in connection with the 1992 Bonds and the terms of the Warrants issued in connection with the 1993 Bonds remain unchanged.

NIPPON STEEL CORPORATION

(President and Representative Director)

Dated: January 31 1990

NOTICE TO THE WARRANTHOLDERS OF
UNY CO., LTD.
(the "Company")
U.S.$60,000,000
2 3/4 per cent. Bonds
Due 1991 with Warrants

Notice is hereby given pursuant to Clauses 3 and 4 of the Instrument dated 25th June, 1986 (the "Instrument"), as follows:

1. At its meeting held on the 30th day of January, 1990, the Board of Directors of the Company resolved to make a free share distribution to the shareholders of record on the date specified below at the rate of 0.05 share per one share held.
2. The record date in Japan is the 20th day of February, 1990, and the aforesaid free share distribution will result in an adjustment of the subscription price relating to the warrants with such adjustment taking effect in Japan on 21st day of February, 1990.
3. The subscription price before adjustment is 1,701.60 Japanese Yen per share of common stock of the Company and the price which will result, pursuant to the Clauses 3 and 4 of the Instrument, after giving effect to the aforesaid free share distribution will be 1,620.60 Japanese Yen per share of common stock.

UNY CO., LTD.
By: The Tokai Bank, Limited
London Branch
as Fiscal Agent 31st January, 1990

NOTICE TO THE WARRANTHOLDERS OF
UNY CO., LTD.
(the "Company")
U.S.$150,000,000
4 1/8 per cent. Bonds
Due 1993 with Warrants

Notice is hereby given pursuant to Clauses 3 and 4 of the Instrument dated 22nd June, 1988 (the "Instrument"), as follows:

1. At its meeting held on the 30th day of January, 1990, the Board of Directors of the Company resolved to make a free share distribution to the shareholders of record on the date specified below at the rate of 0.05 share per one share held.
2. The record date in Japan is the 20th day of February, 1990, and the aforesaid free share distribution will result in an adjustment of the subscription price relating to the warrants with such adjustment taking effect in Japan on 21st day of February, 1990.
3. The subscription price before adjustment is 2,180.70 Japanese Yen per share of common stock of the Company and the price which will result, pursuant to the Clauses 3 and 4 of the Instrument, after giving effect to the aforesaid free share distribution will be 2,062.60 Japanese Yen per share of common stock.

UNY CO., LTD.
By: The Tokai Bank, Limited
London Branch
as Fiscal Agent 31st January, 1990

UK COMPANY NEWS

West German disposal will reduce retailer's gearing to about 40%

Next sells Biba chain for £47m

By Maggie Urry

NEXT, the high street fashion retailer and mail order group, has sold Biba, its chain of 60 women's fashion shops in West Germany, for DM134m (£47.6m), including repayment of debt of £2.9m.

The buyer is Hapeni Portfolio, a company set up by a group of European investors for the purpose of bidding for the chain. Biba's management team, which earlier tried to buy the company itself, had supported the Hapeni bid.

Mr David Jones, Next chief executive, said negotiations had been difficult, having started last autumn.

After a weekend of negotiations a decision had still been in the balance late on Monday night.

However, Mr Jones had been keen to complete the deal before today, which is the last day of the group's financial year. The cash was paid into Next's bank account yesterday.

David Jones: Biba sale marks end of non-core disposals

Biba's net asset value was £3.1m, and there will be an extraordinary profit of £44.5m in Next's 1989-90 accounts.

This will allow the group's year end balance sheet to show net worth of some £400m, and, by reducing net borrowings, bring gearing down to about 40 per cent.

Biba made profits of £7.9m in 1988-89. It is expected to show a lower profit in 1989-90, after a slight decline at the half way stage.

It is also expected that the interest saved by Next as a result of the sale will roughly offset the loss of profits from Biba in the new financial year.

Mr Jones said the sale marked the end of the group's disposals of non-core activities and that he could start the new financial year "with my mind totally devoted to sorting out our on-going businesses."

The group has cut back its high street presence, and is concentrating on two fascias – Next and Next Originals.

He said the group's high street trading had picked up in the last quarter of the year with sales volumes now flat on a like-for-like basis rather than showing a decline.

Last week Next launches its new spring/summer fashion ranges, the first to be completely designed by the group since the departure of Mr George Davies, the former chairman and chief executive who was sacked in December 1988.

Sauces buy for Albert Fisher

By Clare Pearson

ALBERT FISHER, the foods group, is building up its interests in sauces and dressings via the purchase of Beswick, a UK producer, for a maximum consideration of £4.5m.

Beswick, which manufactures mayonnaises, salad dressings and sauces, becomes the second UK company in this product area within the Albert Fisher group. Its purchase also marks the group's second acquisition this year, following hard on the heels of that of a Dutch mushroom processor.

Albert Fisher recently raised £180m through a rights issue and placing to provide a war-chest to enable it to continue with its active acquisitions policy.

The initial consideration for Beswick is £2.5m which will be satisfied by a mixture of cash and shares. In addition there may be a deferred payment on an earn-out basis.

The Lancashire-based company has net tangible assets of about £985,000.

Adjusted profits before taxation in respect of the year to end-October were £422,000.

The maximum extra sum of £2m, to be satisfied in shares, will become payable on the basis of £5 for every £1 of pre-tax profits achieved by Beswick in excess of £900,000 in the two years ending October 31 1991.

Albert Fisher ran into complaints from some institutional shareholders over several aspects of its recent capital-raising exercise and was forced to alter the terms in one respect.

Corporate Partners, the US investment fund which underwrote the rights issue and also subscribed for shares in a placing, was originally automatically entitled to put directors on Albert Fisher's board in a manner related to its shareholding.

Any such election proposals will now have to go immediately before shareholders.

Duncan Lawrie ahead by 15%

By David Lascelles, Banking Editor

Duncan Lawrie, the private banking arm of Walter Duncan & Goodricke, last year raised pre-tax profits by 15 per cent to £1.04m, the first time they have risen above £1m.

The growth of the banking division was restricted by a conservative approach to lending, but new accounts are now being taken on.

The investment management and pensions divisions made an increased contribution, and there was also growth in the bank's Channel Islands operations.

Total assets rose 18 per cent to £125m.

DY Davies advances 26% to £633,000

By Peter Franklin

HAVING PUT the problems associated with delays on two major projects firmly behind it, DY Davies, the USM-quoted architectural practice, improved on last year's advance when it reported pre-tax profits up 26 per cent to £633,000 for the six months to October 31 1989.

In the year to April 1988 extra costs had been incurred by the Surrey-based company when it increased its staff to enable it to undertake the projects.

However, the City of London delayed work on the Guildhall to add further adjacent properties to the development and the London Docklands Development Corporation turned down plans for phase two of London Bridge City with the result that in that year Davies' profits were halved.

Mr David Davies, chairman, said that business had since been buoyant and the forecast for future workloads was strong. The company had therefore retained up to 20 of the extra staff.

Turnover for the half-year increased from £4.78m to £5.5m and operating profit rose 36 per cent to £729,000 (£537,000). The net interest charge was up at £96,000 (£33,000) and tax took £228,000 (£186,000) after which diluted earnings per 5p share worked through at 7p (5.4p). An interim dividend of 1.8p (1.5p) was declared.

In November Davies acquired the architectural practice of Hugh Wilson & Lewis Womersley. This acquisition would, said Mr Davies, open up new areas of business to the group in both the north of England and Scotland.

And on Monday of this week, the company signed a cross-agreement with companies in Rome, Paris, Brussels and the Algarve.

It is through the forming of associations with European partners that the future for UK companies in Europe lies, said Mr Davies.

Although economists were predicting a difficult year ahead for the industry and the collapse in the residential and retail market would have a knock-on effect, the company was not over-committed in these sectors, Mr Davies said, and would continue to develop its expertise in the growth areas of health care and leisure design.

AIM falls to £1.3m and shares drop 55p on full year warning

By Clare Pearson

SHARES IN AIM Group, the aircraft interiors manufacturer and property developer, fell sharply yesterday after the company said profits for the current year would be materially below last year's result.

The company yesterday reported a fall from £2.08m to £1.3m in pre-tax profits for the half-year to end-October. In the last full year it made £4.53m.

AIM said a significant downturn in the property division would offset a buoyant performance on the contracting side and an unchanged contribution from aviation in the full year figures.

AIM's shares yesterday fell 55p to 220p. In July last year, the company raised £9.3m through a one-for-four rights issue pitched at 365p.

In the half-year, profits from the property division fell from £917,000 to just £28,000. AIM said sales of residential properties were at a standstill while trading conditions in the commercial sector were also difficult.

Delays in the McDonnell Douglas MD-11 programme held back the aviation division, which contributed £918,000 (£858,000). It was also affected by recruitment of additional personnel to cope with an enhanced enquiry level.

Contracting was the bright spot, increasing profits from £208,000 to £379,000. AIM said that reflected the continuing strength of the market for environmental services.

Mr Jeff Smith, chairman, said the medium to long-term prospects for the aviation division continued to be extremely buoyant. But the short-term problem was being compounded by recent industrial action at Boeing and currently at British Aerospace, which would cause some deliveries to slip into the next financial year.

The company's £13m property portfolio, of which rather more than half is commercial, is mainly based in the south-west of England.

Turnover was £22.19m (£22.46m). Earnings per share fell to 6.8p (12.7p) and the interim dividend is maintained at 2.4p. There was a £553,000 extraordinary profit arising from the sale of a subsidiary.

Pacific Assets Trust to raise £20.2m via placing

By Clare Pearson

PACIFIC ASSETS Trust is issuing units of ordinary shares and warrants. This raises £20.2m to fuel continued investment in the Asian Pacific region.

The units, comprising one ordinary share and one-fifth of a Series 1 warrant, have been conditionally placed but are to be offered to qualifying shareholders and warrant holders on a five-for-ten basis.

Pacific Assets said the placing and offer has been priced to provide a marginal increase in the trust's fully-diluted net asset value per ordinary share after allowing for a net interim dividend of 0.875p and all estimated expenses.

Pacific Assets was set up in 1985 by Ivory and Sime, the Edinburgh fund managers, to invest in the Asian Pacific region excluding Japan and Australasia. Since then, shareholders funds' have risen from £11.46m to £33.70m.

The Series 1 warrants are due to expire, and be succeeded by Series 2 warrants, in five years' time.

Brent Walker sells its 29.9% stake in Trilion

By Andrew Bolger

Brent Walker, the leisure and property group, has disposed of its 29.9 per cent stake in Trilion, the USM-quoted television production company.

Brent Walker's 17.47m shares were placed at 46p each with institutional investors by Hoare Govett, Trilion's broker. Shares in Trilion closed 1p higher at 47p.

Trilion was informed that clients of MIM, investment managers, had raised their stake in Trilion to 21.3 per cent and Electra Investment Trust now had 6 per cent.

Meanwhile Brent Walker announced that trustees for Mr George Walker, chairman and chief executive, and his family had bought 500,000 Brent Walker ordinary shares at 345p last Friday, raising their stake to 24.3 per cent.

RH Lowe falls to £1m

SHARES OF Robert H Lowe yesterday fall 4p to 42p as the sports, leisure, baby and children's wear group revealed a 33 per cent decline in annual pre-tax profits and a severely reduced final dividend.

At the trading level, Lowe recorded a 21 per cent rise to £2.28m (£1.89m), but sharply increased interest charges of £1.28m (£387,000) reduced the taxable balance from £1.5m to £1m.

Turnover expanded 37 per cent to £38.62m (£28.28m). Earnings per share dipped from 19.27p to 6.87p and the recommended final dividend is cut to 0.25p (2.25p) for a total of 1.5p (3.5p).

The results included an undisclosed contribution from Lewing, acquired in March, and a full 12 months from Morrell Packaging.

Directors said that "some headway" had been made in improving margins in certain areas of the group's children's wear operation.

An extraordinary charge of £598,000 related to Lowe's withdrawal from non-core activities which included the closure of the Irish dyeing and finishing business and the boys shirt manufacturing operation in Durham.

Directors added that continued high interest rates would depress earnings in the current year. Profits for the first half were not expected to be much better than break even, they said, but the outlook for the second six months was "substantially improved".

Correction

Mr Douglas D'Arcy

In the issue of January 25 1990, the Financial Times published an article entitled "Chrysalis records £11.5m loss as US problems bite". We wish to make it clear that, contrary to the impression given by the article, Mr Douglas D'Arcy was not the director in charge of the US records operation of Chrysalis during the majority of the period when the losses discussed in the article were incurred.

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES [1]

To UK residents by reporting institutions in the UK at November 30,1989 (Bank of England Quarterly Bulletin)

Amounts outstanding (sterling and other currencies,sterling only in italics) All monthly reporters £m

		Total to UK Residents [d]	of which in sterling	Agriculture forestry & fishing	Energy and water supply: Oil and extraction of natural gas	Other energy industries	Water supply	Manufacturing industry: Total [d]	Extraction of minerals & ores	Metal manufacturing	Mineral products
Loans and advances											
1989	AUG	378,803		6,912	3,875	750	128	43,625	1,284	1,433	1,370
	NOV	395,695		6,775	3,499	699	176	45,744	1,159	1,608	1,373
Acceptances											
1989	AUG	17,392		43	97	35	10	6,006	106	228	93
	NOV	17,676		61	215	77	25	5,582	93	195	98
Total											
1989	AUG	395,895		6,955	3,972	785	138	49,631	1,389	1,661	1,463
	NOV	413,371		6,836	3,714	775	201	51,325	1,252	1,803	1,471
Of which in sterling											
1989	AUG	*321,253*		*6,513*	*1,436*	*595*	*124*	*34,734*	*600*	*1,094*	*871*
	NOV	*334,010*		*6,697*	*1,415*	*613*	*142*	*35,204*	*674*	*1,109*	*860*
Changes in total lending in sterling three months ended:											
1989	AUG [a][b]	15,086		242	90	238	21	1,974	105	66	84
	NOV [c]	12,766		-117	-23	27	18	480	73	48	9
In other currencies (Adjusted for exchange rates effects)											
1989	AUG	6,647		47	477	-6	13	2,811	-302	116	77
	NOV	3,760		-4	-264	-39	48	1,021	-216	59	-8
Group detail Total outstanding (Sterling and other currencies)											
Retail banks											
1989	AUG	213,012	*202,852*	6,869	840	184	60	24,012	873	740	767
	NOV	221,472	*209,985*	6,436	1,024	164	66	24,260	460	752	777

Amounts outstanding (sterling and other currencies, sterling only in italics)

		Manufacturing industry (Continued): Chemical industry	Mechanical engineering	Electrical & electronic engineering	Motor vehicles	Other transport equipment [e]	Other engineering and metal goods	Food drink & tobacco	Textiles leather clothing and footwear	Other manufacturing
Loans and advances										
1989	AUG	2,312	3,092	4,732	1,072	1,347	2,958	7,672	2,954	13,402
	NOV	2,594	3,209	5,228	1,086	1,292	3,049	7,702	3,009	14,431
Acceptances										
1989	AUG	476	211	879	394	80	196	1,894	283	1,162
	NOV	399	198	688	458	98	211	1,770	272	1,105
Total										
1989	AUG	2,788	3,303	5,611	1,467	1,427	3,154	9,566	3,237	14,564
	NOV	2,993	3,407	5,916	1,544	1,390	3,260	9,472	3,281	15,536
Of which in sterling										
1989	AUG	*2,015*	*2,417*	*3,802*	*1,136*	*1,278*	*2,314*	*6,734*	*2,566*	*9,930*
	NOV	*2,147*	*2,461*	*4,044*	*1,169*	*1,231*	*2,350*	*6,617*	*2,500*	*10,021*
Changes in total lending in sterling three months ended:										
1989	AUG	-203	175	224	-26	66	65	-160	138	1,499
	NOV	133	45	242	33	-45	36	-117	-65	91
In other currencies (Adjusted for exchange rates effects)										
1989	AUG	163	171	184	61	-142	325	479	158	716
	NOV	62	48	41	40	6	59	-12	99	815
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1989	AUG	1,499	2,097	2,852	499	939	2,179	3,923	1,813	6,150
	NOV	1,483	2,139	3,011	519	879	2,173	3,880	1,816	6,391

Amounts outstanding (sterling and other currencies, sterling only in italics)

		Construction [d]	Garages, distribution, hotels and catering: Total [d]	Retail motor trades	Other retail distribution	Wholesale distrib.	Hotels & catering	Transport & communications: Air transport	Other transport	Postal services & telecommunications
Loans and advances										
1989	AUG	14,003	36,475	3,882	11,622	12,026	9,046	946	3,976	946
	NOV	14,732	38,753	4,096	12,307	12,599	9,750	998	4,215	1,127
Acceptances										
1989	AUG	418	3,188	255	1,224	1,476	134	10	58	291
	NOV	377	3,176	206	1,505	1,368	68	8	80	311
Total										
1989	AUG	14,420	39,663	4,137	12,846	13,502	9,180	956	4,034	1,238
	NOV	15,109	41,930	4,302	13,812	13,967	9,818	1,007	4,295	1,438
Of which in sterling										
1989	AUG	*13,047*	*30,203*	*4,041*	*12,247*	*6,684*	*7,231*	*704*	*2,765*	*995*
	NOV	*13,656*	*32,273*	*4,195*	*12,891*	*7,136*	*8,051*	*769*	*3,110*	*1,718*
Changes in total lending in sterling three months ended:										
1989	AUG	768	2,818	391	2,272	248	-87	288	-90	-187
	NOV	609	*2,070*	*154*	643	452	620	62	325	123
In other currencies (Adjusted for exchange rates effects)										
1989	AUG	260	-232	5	80	35	-322	49	-84	-86
	NOV	63	79	10	313	-40	-204	-14	-78	73
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1989	AUG	9,503	20,160	2,714	7,684	4,222	5,539	248	2,116	578
	NOV	9,874	21,553	2,790	8,068	4,533	6,183	258	2,357	695

Amounts outstanding (sterling and other currencies, sterling only in italics)

		Financial: Total [d]	Building societies [f,k]	Investment and unit trust etc	Insurance companies pension funds etc	Leasing companies	Securities dealers etc [g]	Other financial [b,h,i,j]	Business & other services: Total [b,d]	Central & local govt. services	Property companies	Hiring of movables	Other services	Persons: Home purchase [b,d,h,i,j]	Other [b,d]
Loans and advances															
1989	AUG	91,758	5,782	7,492	3,673	13,364	19,114	41,631	60,484	1,754	29,556	1,277	27,896	76,472	38,152
	NOV	96,823	6,298	7,901	4,269	14,777	20,115	43,462	65,221	1,910	31,866	1,674	29,770	78,268	38,667
Acceptances															
1989	AUG	6,275	6	93	93	1,132	6	4,946	965	-	51	50	864		
	NOV	6,761	-	93	62	1,225	60	5,320	1,002	-	44	67	891		
Total															
1989	AUG	98,032	5,789	7,585	3,766	14,996	19,120	46,777	61,449	1,755	29,608	1,327	28,760	76,472	38,152
	NOV	103,583	6,298	7,995	4,331	16,002	20,175	48,782	66,223	1,910	31,910	1,741	30,661	78,268	38,667
Of which in sterling															
1989	AUG	*60,677*	*5,658*	*5,323*	*2,980*	*13,579*	*3,244*	*29,914*	*55,078*	*1,733*	*27,923*	*1,223*	*24,199*	*76,330*	*37,761*
	NOV	*63,970*	*6,119*	*5,588*	*3,309*	*14,632*	*3,005*	*31,317*	*58,785*	*1,870*	*30,002*	*1,330*	*25,593*	*78,065*	*38,176*
Changes in total lending in sterling three months ended:															
1989	AUG	2,156	-215	-141	-232	747	-140	2,136	4,172	66	2,404	59	1,603	1,043	1,556
	NOV	2,876	461	265	349	1,053	-238	986	3,708	137	2,079	107	1,385	1,972	626
In other currencies (Adjusted for exchange rates effects)															
1989	AUG	2,6 74	-43	-264	-94	335	1,869	871	766	-1	99	14	654	59	49
	NOV	1,779	47	115	205	-65	1,087	390	977	18	201	303	455	38	84
Group detail Total Outstanding (Sterling & Other Currencies)															
Retail banks															
1989	AUG	18,859	1,190	4,384	1,294	2,899	1,895	7,297	31,903	387	13,340	651	17,625	69,667	28,195
	NOV	20,406	1,259	4,524	1,043	3,122	1,911	8,249	34,103	494	14,245	704	18,570	71,912	28,651

Footnotes: [1] Comprises loans,advances and acceptances. Loans and advances include lending under the DTI special scheme for domestic shipbuilding, secured call money placed with Stock Exchange money brokers and gilt-edged market makers, and time deposits placed with, and holdings of certificates of deposit and other securities issued by, building societies.
[a] Changes in the reporting population to August 1989 accounted for a reduction of some £5m (net) in total sterling lending: other currency lending was reduced by some £4m
[b] Due to intra group restructurings in the quarter to end-November 1988, the amounts outstanding in 'house purchase','other' persons and 'other financial' have been affected. The main effects were to increase 'other financial' by some £0.4bn within the 'retail' banks group (+£0.2bn) and the 'other British' banks group (+£0.2bn) and to decrease 'house purchase' and 'other' persons by some £0.2bn respectively in the 'other British' banks group. The changes have been adjusted to reflect the underlying movements.
[c] Changes in the reporting population to November 1989 accounted for a reduction of some £15m (net) in total sterling lending: other currency lending was increased by some £7m
[d] With effect from end-August 1989 the levels shown include Abbey National plc and Abbey National Treasury Services plc, who joined the reporting population at the beginning of July 1989. Both institutions are included in th Retail banks group. Changes in total lending in the three months to end-August 1989 exclude data fron these two institutions.
[e] Includes lending under the DTI special scheme for domestic shipbuilding.
[f] Includes time deposits placed with, and holdings of certificates of deposit and other securities issued by building societies.
[g] Includes Stock Exchange money brokers, gilt-edged market makers, broker dealers and inter-dealer brokers.
[h] Due to intra-group restructuring in the quarter to end-November 1988, the amounts outstanding in 'house purchase' and 'other financial' have been affected. The main effects were to increase 'other financial' by some £1.5bn in the 'retail' banks group, and to decrease 'house purchase' by some £1.5bn in the 'other British' banks group. The changes have been adjusted to reflect the underlying movements.
[i] Changes in arrangements for the financing of certain banks' consumer and leasing credit activities may have lead to an increase in sterling lending over the four months from 1 November 1988. In the quarter to end-November 1988 this probably increased sterling lending to 'other financial' by some £0.3-£0.4bn, and during the quarter to end-February 1989 by some £0.4-£0.5bn.
[j] Due to the consolidation of a mortgage finance vehicle by one bank in the quarter to end-May 1989, lending for house purchase has been increased by some £0.3bn. The changes have been adjusted to reflect the underlying movements.
[k] Changes in the quarter to end-August 1989 have been adjusted to continue to reflect Abbey National as a building society. See also footnote [d].

NEWS DIGEST

Queens Moat raises Norfolk Capital stake

QUEENS MOAT Houses has increased its stake in Norfolk Capital Group, the rival hotels company for which it is bidding, from about 2.5 per cent to 4.45 per cent.

The main block of the increase was bought at 42¾p from Brewin Dolphin, the stockbroking and fund management group. Queens Moat said yesterday it would post its offer document to Norfolk shareholders as soon as possible.

Norfolk has spent the last seven weeks fighting an attempted management coup by Balmoral International, a privately-owned hotels group.

Its shareholders voted against the Balmoral proposals at a special meeting on Monday, but the beleaguered group must now fend off the Queens Moat approach, which is worth 43p per share, compared with yesterday's closing price for Norfolk shares of 44½p, up 1½p. The hostile bid values the whole of Norfolk at about £178m.

Competition limits rise at Wm Ransom

Taxable profits of William Ransom & Son, the manufacturing chemist, rose by just £13,000 to £320,000 for the six months ended September 30.

Directors said competition in the group's traditional markets had been intense and added that it was too early for the depreciation of the pound to have had a beneficial effect on its exports.

Turnover was virtually static at £2.99m (£2.94m). Improved margins resulted from a change in sales mix and a move into new areas.

After tax of £112,000 (£107,000) earnings worked through at 1.36p (1.32p). The interim dividend is stepped up to 0.525p (0.5p).

Sturge buys Lloyd's agency for £2.15m

Sturge Holdings, the Lloyd's underwriting agency group, is acquiring Hall Harford Jeffreys Langdale for a total consideration £2.15m of which £360,000 is to be satisfied by the issue of 129,000 shares.

HHJL is a members' agency with 168 names, a large number of which are in Australasia, with an allocated capacity of £76m. It will be merged with Oxford Members' Agency which also has a number of names in Australasia.

Dudley Jenkins at £321,000

Profits of Dudley Jenkins, a USM-quoted list broker which derives the major part of its income from the supply of mailing lists to advertisers in the UK and abroad, rose from £241,000 to £321,000 pre-tax in the six months to October 31.

The 33 per cent improvement was achieved on the back of a 43 per cent advance in turnover to £3.82m. Earnings emerged at 4.31p (3.19p) and the interim dividend is raised 0.2p to 1.2p.

The half-year results included two months trading from three recent acquisitions, Transmail, Magazine Mailing (Southern) and Dowerhill.

Earnings ahead at Scottish National

In its report for the first quarter, covering the three months to December 31, The Scottish National Trust announced earnings per share of 1.97p, up from 1.93p, from net revenue ahead from £3.12m to £3.18m.

An interim dividend for the period of 1.7p is declared, up from the 1.4p paid at the same stage of the previous year, although directors said the increase was intended to reduce disparity between interim and final payments.

Partridge beats forecast with £3.2m

Partridge Fine Arts, the antique furniture dealer which joined the main market through a placing last September, yesterday announced pre-tax profits of £3.2m for the year ended October 31 1989, comfortably beating the £3m forecast at the time of listing.

The result was struck on turnover of £12.85m, and after tax of £1.11m earnings per share came out at 11.81p. The directors propose a maiden dividend of 0.75p.

Last year the company made pre-tax profits of £2.34m from turnover of £9.02m.

Directors said trading in the current year had been encouraging and as a result of the placing the company now had sufficient resources to finance the requirements of the business for the foreseeable future.

Trinity invests in television production

Trinity International Holdings, the Chester-based newspaper publisher, has taken a substantial minority shareholding in Liberty Television, a small television production company founded last year.

Mr Ossie Head, in charge of Trinity's corporate development, said: "We suspect there is an opportunity in TV production in the future and this will enable us to find out."

Trinity would not disclose how much it had invested but the shareholding is thought to have cost a few hundred thousand pounds.

Liberty, founded by Mr Jacque Evans and Mr Michael Drinan, is currently producing the geographical game show, Paperchase, which will be shown by Anglia Television in the spring.

Trinity is also a shareholder in British Satellite Broadcasting.

TECHNOLOGY

Hugo Dixon explains a system that enables telephone companies to offer voice mail

Message of hope for frustrated callers

"THE TELEPHONE allowed us to transcend space. Voice messaging allows us to transcend time. You can be in Hong Kong, Tokyo, Moscow – it does not matter. You can still be firing messages off to one another."

Scott Jones, the 29-year-old chairman and chief scientist of Boston Technology, is singing the praises of voice messaging – a technology in which his four-year-old US company has become a world leader.

His claims may sound over-ambitious, but they become more credible when you think of the number of times you have failed to get through to people because either their switchboard takes ages to answer, or they are not at their desk, or they are engaged. About three-quarters of all phone calls in the US do not hit the mark for one of these reasons, according to IT consultants Dataquest.

And remember the frustration caused when a message is taken down inaccurately. Most people have grown so used to this phenomenon that they rarely leave a message that contains more than their name and phone number. Anything longer is likely to get garbled.

The joy of voice messaging – often called voice mail – is that you can leave a message as long as you like for friends, colleagues and business associates in the knowledge that it will get through without any mistakes. It is also easier than sending somebody a letter or facsimile – you do not have to go through the laborious process of putting pen to paper – and has the advantage of conveying intonation.

Anybody who calls the US regularly will be familiar with voice mail. You phone a company and hear a recording like: "Good morning, this is Pinkerton & Pinkerton. If you know the extension of the party you are calling, enter it now. For a list of extensions, press 1; for a list of departments, press 2; for a human operator, press 0 or stay on the line."

So you press 3456. "Hi, this is Jenny," the machine answers. "I'm out of the office until Thursday morning, but I will be checking my mail box for messages every two hours so please leave a message. If you need to speak to somebody now, press 4567 to speak to my secretary."

Almost all such services are currently provided on an office-by-office basis over voice messaging systems attached to a company's switchboard. Boston Technology has gone a stage further by developing a system large enough to be used by telephone operators to provide services to the public.

So far, six of America's seven "Baby Bell" telephone operating companies, have chosen Boston Technology's CO Access system. The group is starting to market the system in Europe, although it may be slow to take off because many phones still have dials instead of buttons.

Jones says his company's system opens up markets which are not served by the smaller single company systems. The most attractive is the residential market, with 83m phones installed in homes throughout the US. Jones predicts that 3m customers a year will convert to the service.

But isn't voice messaging nothing more than a fancy answering machine?

Jones agrees, but says it is precisely the fancy features that give it a competitive advantage. Customers pay a monthly subscription, currently set at $5, and do not need to buy their own piece of equipment; every message is automatically marked with the date and time; and messages can be left while people are engaged, not simply when they are out.

Each member of a family can have his or her voice mailbox. So you can call up the home number and listen to messages like: "This is the Train family. We are sorry nobody is here. To leave a message for Francine, press 1; for Bobby, press 2; for Linda, press 3; or press 0 if your message is intended for the family as a whole."

A feature that may be particularly useful in an office is group messaging. This would allow a sales director, for example, to give members of the sales force a pep talk every morning. The message would only have to be recorded once.

Voice messaging is not, however, without its problems. In some quarters, it has become unpopular because of a phenomenon known as "voice mail jail". This occurs when people call a company, only to be routed around a maze of computer options when they really want to talk to a human.

Part of the problem is that companies which install voice messaging often use it as an excuse to cut the number of human operators they employ. Another is that the software is sometimes badly designed, so that callers are faced with too many options.

Jones says automated operators are not suitable in all situations. Corporations, he says, may wish to continue to use human operators to answer calls at their head offices, though the human operators could then connect callers to voice mailboxes. Automated operators are more useful after office hours, when the switchboard would not otherwise be manned, or as a back-up to overworked staff.

Another problem is that people may not look into their mailboxes regularly. So for the system to be effective, calling in needs to become habitual and users should make it clear when they are likely to retrieve their messages.

Boston Technology's system consists of three main elements: voice processing units (VPUs); a high-speed digital switch; and a master control unit. Each VPU, essentially a computer on which the messages are stored, has 24 ports. The system can be configured to support up to 64 VPUs, giving 1,536 ports or 7,040 hours of storage.

The VPUs are connected to the telephone network via the switch. This directs callers who wish to leave or retrieve messages to the relevant VPUs.

The control unit contains information about where messages for particular subscribers are held and is responsible for communicating details on billing, call routing and so forth to the telephone network. It is also connected directly to the VPUs via an internal communications network. This allows VPUs to transfer messages to each other so that a caller can retrieve a message from a different VPU from the one on which it was left.

The CO Access System uses standard industry building blocks: 386 microprocessors; ethernet local area networks; and T1 telecommunications links, the US standard. Boston Technology has created the system's architecture and software. Jones says that, in future, it will be easy to add fax, electronic mail and videotex processing units.

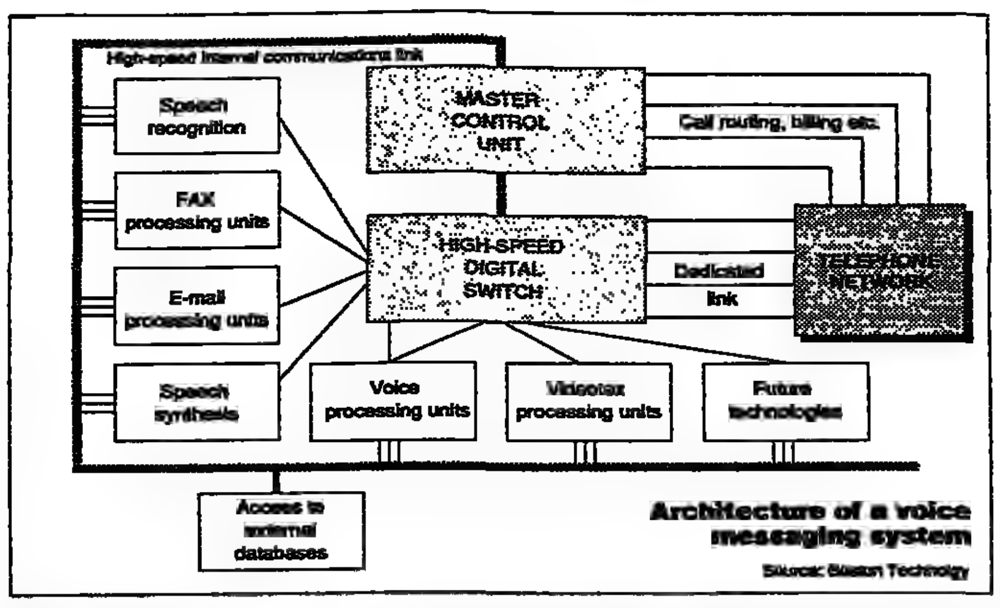
This would mean, for instance, that faxes could be stored in the system and retrieved at a time and place convenient to the recipient. People would be able to receive at home faxes originally sent to their offices. And by incorporating character recognition and speech synthesis devices, the system would even be able to dictate a fax over the phone.

Another application would be to use this sort of system as a gateway to databases provided by outside service companies. For example, airlines could link their databases containing times of flights, prices and seat availability to CO Access. Customers could then interrogate the system and book seats.

It would, of course, be possible for service companies to install their own dedicated systems to allow customers to talk to their databases – and some already do this. Similarly, the telephone operators could build separate systems to store and forward fax, electronic mail and videotex.

However, Jones argues that it will be cheaper to run all these services from a common platform. Integration would also mean that customers would be able to get access to all their fax, electronic mail, videotex and voice messages by calling a single number.

None of Boston Technology's customers have yet committed themselves to this heady future and, indeed, the company is still in the process of developing the applications. But Jones says that, when he talks to the Baby Bells about the potential uses, their eyes light up.



Architecture of a voice messaging system

Source: Boston Technology

BT and the Government fling a digital lifeline to Highland businesses

Sassenach tourists returning from the Highlands of Scotland often enthuse over its unspoilt beauty. To businesses, however, the area's remoteness is less enchanting. As the fax machine produces yet another illegible document because of poor telephone links, at least one concern has admitted that it contemplated leaving the "Top Country" for smokier surroundings.

In response, British Telecom and the Highlands and Islands Development Board (HIDB), a UK Government body, are spending £16.25m on a programme that will make the region one of only a handful with an all-digital network.

The Highlands and Islands Initiative involves the installation, by 1992, of optical fibre cables and digital telephone exchanges in places as remote as Orkney, Shetland and the Western Isles.

Sir Robert Cowan, chairman of the HIDB which is contributing £4.9m, says the initiative is "the most important single investment the board has made in the economic future of the Highlands and Islands."

The area will be one of the first six in the UK to have access to the integrated services digital network (ISDN). This runs to the I420 standard, suitable for linking to the Continent, Japan and the US. ISDN gives subscribers two high-capacity 64 kbit/sec data channels. Information can be sent 60 times as fast as over an ordinary voice line and at the same cost per minute.

The HIDB hopes improved communications will help to persuade companies to move part of their operations to the Highlands. John Lough, the board's telecommunications consultant on secondment from BT, says another goal is to encourage companies to start-up in such sectors as software and electronic publishing.

Yet he recalls how tough it was to push the idea through many layers of bureaucracy. There was resistance to giving BT, a privatised company, government cash for something that it would eventually do anyway.

Sceptics said the existing BT network was adequate for straightforward voice calls, if a little eccentric. Remote exchanges were powered by waterwheels and solar cells, and there were still telephone boxes of the antique "push button A" type that would baffle a Londoner used to microprocessor-controlled card phones.

Eventually the HIDB struck a deal with BT that included a claw-back if the extra traffic carried by the improved links started to make the investment self-financing. BT is now installing System X digital telephone exchange equipment in 48 places in the Highlands.

It has also established the Network Services Agency (NSA), a local subsidiary which will help companies to exploit the improved links by offering such services as databases or electronic mail.

The NSA rents out processing power and disk space on its three DEC minicomputers so that companies do not need to make a big initial investment themselves.

Richard Ritty, managing director, says the NSA's "one-stop" philosophy means that a company could easily set up a complex system with public and private databases and several types of access, without having to co-ordinate many suppliers. Companies do not need to be based in the Highlands, or even in the UK, to use the NSA.

The only service installed on the NSA computers at present is Rurtel, an electronic conferencing and mail system for, say, researchers scattered across Europe. It is funded by the Arkleton Trust, which studies new approaches to rural development.

John Bryden, the programme director based in Nethy Bridge, reports that when Rurtel was established, it was expected that there would be 60 users. The pilot system has grown to 150. Organisations subscribing to Rurtel can set up electronic conferences, restricting access as they wish.

The NSA will soon launch a mail, conferencing and data exchange service. Although initially marketed in Scotland, it will eventually be offered across the UK.

An example of the way communications technology can boost local business is provided by Hi-Line, a holiday booking service. Ned Wayne, managing director, says he once considered moving the company from Dingwall, a small town 15 miles north west of Inverness, to Aberdeen because of the poor telephone links. Interim improvements and the promise of the ISDN link persuaded him to stay.

Hi-Line helped more than 19,000 people to plan their holidays in the region in the 12 months to September. Customers ring in to discuss their holiday. A single payment buys a customised package which can include car hire, ferry tickets, ski passes and accommodation selected from thousands of local guest houses and hotels, many too small to use computers themselves.

Hi-Line plans to link its database to Sabre or one of the other airline reservation systems. Then customers walking into a travel agent in Inverness, Florida, would be able to set up a personalised holiday in the original Inverness by having the travel clerk link into Hi-Line's computer 4,500 miles away.

When announcing the initiative, Malcolm Rifkind, Secretary of State for Scotland, said he expected at least 350 jobs to be created. BT has already decided to recruit 100 directory enquiry staff in Inverness to handle calls routed from London. It is hoped the target will easily be beaten if local businesses make full use of the opportunities created by having an all-digital network earlier than many other areas of Europe.

Gren Manuel

TECHNOLOGY MARKET

COMMODITIES AND AGRICULTURE

Canadian miners hit a thin profits seam

Bernard Simon on the problems that have prompted a spate of mine closures

MEMORIES OF the dismal early 1980s have been resurfacing in Canada this month as one base metal producer after another tightens its belt by closing mines and laying off workers.

A combination of weak demand, sliding prices, poor productivity and high costs has prompted the cuts. Announcements made in the past three weeks include:

- Cominco is to close its big Sullivan zinc mine in British Columbia with a loss of 700 jobs.
- Inco, which accounts for almost a third of non-eastern bloc nickel output, has cancelled overtime at its nickel operations in Ontario and Manitoba, as well as at its refinery at Clydach, Wales. The cutback will reduce 1990 output by about 5 per cent to 400m lbs.
- Falconbridge will reduce 1990 output by 10 per cent to 135m lbs, partly by closing one of its mines at Sudbury, northern Ontario. The company also plans to cut capital spending.
- Rio Algom is trimming its uranium production by more than two-thirds by shutting two northern Ontario mines, with the loss of 1,600 jobs.
- Westar Mining, Canada's biggest coal producer, warned after concluding a new contract with Japanese customers last week that shipments in the sales year starting April 1 will be significantly lower than in the previous 12 months.
- Potash Corporation of Saskatchewan will close temporarily two mines, accounting for more than half its output.

Earlier, aluminium producer Alcan shut down a production line at its smelter at Arvida, Quebec four months ahead of schedule, and brought the first phase of its Laterriere smelter into production at only 40 per cent of capacity.

Producers, stung badly in the early 1980s, are cutting back more quickly now to prevent a stock build-up and hold down costs

If there is a common thread running through these austerity measures, it is that the producers, stung badly in the early 1980s, are pulling in their horns more quickly now in an effort to prevent an expensive build-up of stocks and to hold down operating costs.

Mr John Lydall, mining analyst at First Marathon Securities in Toronto, says a common view among the companies is that "if they can control inventories going into a slowdown, they're going to be in better shape coming out of it, no matter how long it lasts." Inco's nickel stocks, for example, stood at a 20-year low of 46m lbs last September, about a third of their level at the end of the 1970s.

Cominco has clearly lost patience with the militant unions at the Sullivan mine, whose members earn up to 40 per cent more than their counterparts in the US. Sullivan has recently been losing C$2m (£1m) a month. "They're picking on their weakest mine in a weak market," says Mr Bruce Reid, analyst at Loewen Ondaatje McCutcheon in Toronto.

Cominco, which until 1986 was controlled by the diversified conglomerate Canadian Pacific, is now under the more eagle-eyed management of an international mining consortium headed by Teck Corporation of Vancouver. The company is virtually debt-free, except for a project loan for the rich Red Dog zinc mine in Alaska, which will start shipping material in June.

The balance sheets of Inco, Alcan and Noranda are more vulnerable.

Inco's debt doubled to US$1.3bn last year, largely because of borrowings to fund a special US$10 a share dividend that was paid to sweeten the pill the company asked shareholders to swallow early last year. Inco's share price on the Toronto stock exchange has tumbled in the past year from C$44.25 to less than C$28 this week.

Alcan's cash flow is being sapped by heavy capital spending. Mr Lydall warns that the company may have to cut its dividend if aluminium prices continue to slide.

Noranda's ambitious debt-reduction programme in the mid-1980s got off to a good start, with its long-term debt dropping below C$2bn at the end of 1987. But its purchase of a 50 per cent stake in Falconbridge last year pushed borrowings up again to a record C$3.25bn at the end of September 1989.

Not all the recent news has been bad for the Canadian mining industry, however. After three years, the Bank of Canada began to loosen the rein on domestic interest rates in mid-January, in the process allowing the Canadian dollar to fall sharply. The dollar was trading early this week at 83.5 US cents, almost 3 cents below its late-December peak.

Both lower interest rates and a weaker dollar bring substantial benefits to the mining industry. Noranda (which earns more from forest products than from mining) estimated that each percentage-point decline in interest rates would boost its 1989 earnings by C$12m, while it would gain C$19m from each 1 cent fall in the value of the dollar.

Some producers are shrugging off the fall in metal prices for the time being, pointing out that they are still well above levels in the early 1980s and crossing fingers that the slowdown in the leading industrial economies will not last long.

A consortium of German, Dutch, Austrian and Japanese companies building a big aluminium smelter near Sept-Iles, Quebec, is pressing ahead without interruption to meet the production deadline of spring 1992. An official with the Alouette Aluminium project says construction crews are working overtime.

Likewise, Cominco is confident that zinc prices will bounce back later this year. It expects some hedge buying in the spring ahead of the expiry on June 30 of a labour contract at its smelter at Trail, British Columbia. Neither has Noranda cut back, except at Falconbridge. A company official says that "except for nickel, prices at present levels are still above our forecasts."

Noranda has the advantage that its base metal mines also produce sizeable quantities of gold and silver, prices for which have moved up lately. The Brunswick zinc mine, for instance, is Noranda's biggest source of zinc, but is also Canada's second largest silver producer.

Short crops elsewhere lift Israeli citrus sales

By Efrat Shvily and Hugh Carnegy in Jerusalem

ISRAEL'S CITRUS exports – and especially its bid to win a bigger market share for recently-developed higher-value varieties – have been boosted by bad weather affecting the crops of its main competitors in Florida, Spain and Morocco, according to the Citrus Marketing Board.

Officials at the state's monopoly citrus exporting agency say average weather conditions so far, with three months of this season still remaining, mean overall Israeli citrus production should achieve the target of 1.25 m tonnes, with some 40 per cent going for export. This compares with a total of 1.05m tonnes in 1988-89 when the local crop was hit by frost.

From Israel's point of view, a significant effect of the frost damage this season in Florida and heavy rains in Spain and Morocco was the increase in demand it generated in Europe, Israel's main market, for higher value products such as red and sweetie grapefruits, minneolas, pomelos and easy peelers.

For some years, Israeli producers have been trying to increase their export market share for these to diversify production away from stock varieties such as shamouti and navel oranges and white grapefruit, which fetch a lower return. They still dominate, but Mr Reuven Andoren, Director General of the Citrus Marketing Board, said the export share of the higher value fruits should rise to 30 per cent of value this year, compared with eight per cent five years ago.

To date, exports of easy peelers had risen to 1.8m boxes from 1.4m at the same stage last year, he said. Red and sweetie grapefruit shipments were both up by about a third, to 950,000 and 450,000 boxes respectively. Most dramatic of all, exports of red pomelos quadrupled to 20,000 boxes.

Officials expect total citrus exports for the season will reach the target of 29m boxes, earning $165m, compared with last year's 24.5 m boxes, which earned $130m.

'Polluter pays' laws planned in Australia

By Chris Sherwell in Sydney

THE AUSTRALIAN Government wants to alter key pricing arrangements for resource use and to impose the "polluter pays" principle to resolve conflicting issues of resource development and environmental protection.

The proposal was revealed yesterday by Mr John Kerin, Minister for Primary Industries and Energy, in a keynote speech opening the annual agricultural and resources outlook conference in Canberra.

Mr Kerin is the Labor Government's most articulate advocate of resource development and critic of the "Greenies," but in the past he has been at odds with other members of the Cabinet, in particular Mr Graham Richardson, the Environment Minister.

His latest suggestion follows controversial decisions to delay three major export-oriented projects because of environmental concerns – a paper and pulp mill, a gold, platinum and palladium mine and a mineral sands processing project.

The issue is particularly important in Australia because a reduction of the country's chronic balance of payments deficit depends on continued high levels of commodity exports. At the same time the environment movement is gaining increased political influence.

According to Mr Kerin yesterday, the idea of striking a compromise or achieving a balance between environmental heritage and economic development is flawed. The country's natural resources were to be exploited, he said, "so that benefits flow through to the entire community and these benefits are maintained through time."

Benefits which accrued to the community by protecting particular areas or developing particular projects had to be greater than the costs incurred by the community, he said. The community was entitled to receive an appropriate return when public resources were exploited by individuals or by companies.

That in turn meant new issues had to achieve prominence. In particular, the pricing and administrative arrangements for land and water resources use and for forest and fish resources had to be revised, and the "polluter pays" principle had to be adopted more often.

Efficient and consistent resource taxation regimes also had to be introduced, and federal and state government resource initiatives standardised.

Current resource use, he insisted, should not impair prospects for maintaining and improving the quality of life into the future. Economic growth had to be maintained and the quality of the environment enhanced, but it was not possible to have one without the other.

Caribbean bauxite producers go for growth

Canute James reports on production boosts encouraged by firm demand

LED BY continuing firm demand, Caribbean bauxite producers are increasing ore production and are planning expansion of refining capacity. The trend has been evident in Jamaica, the world's third largest producer, and will be reflected in Guyana later this year.

Indicative of the region's attempt to make the most of the market is the Jamaican Government's search for a partner in a new refinery project. It recently signed an agreement with Alcan of Canada to study the feasibility of constructing a 1m-tonnes-a-year plant on the island's north coast. The first step is a study of the quantity and quality of ore in the area.

The plant is likely to cost about $1bn, with ownership by Alcan, the Government, and at least one other company from Japan, the UK or another European country, according to government officials.

"This is a very interesting development, especially as it involves one of the largest aluminium companies in the world," said Mr Carlton Davis, executive chairman of the Jamaica Bauxite Institute, the state agency that is responsible for the industry. "This is a company with which we have had an association going back to the 1940s, and it has a good track record in Jamaica. This company has a power base in the industry, and this venture is one of the more promising prospects which we have had in recent times."

The venture with Alcan appears more promising than that proposed earlier by Pechiney of France for either the expansion of a refinery in Jamaica, or a greenfield plant. Government officials say discussions are continuing with the French company.

But while waiting for these plans to bear fruit, the Jamaican industry is expanding existing refining capacity. Alumina Partners of Jamaica, owned by Kaiser Aluminum and Hydro Aluminum, is increasing output at its plant in southern Jamaica. The refinery, which has a rated capacity of 1.2m tonnes a year, was reopened just over a year ago after a three-year shutdown. It is now producing at an annualised rate of 1m tonnes, but a planned $12m investment by the owners will lift the annual output to 1.25m tonnes.

There are also plans to expand the capacity of Jamalco, a 800,000-tonnes-a-year refinery owned jointly by Alcoa and the Jamaican Government. Rated capacity will initially be lifted to 1m tonnes, with the prospect of doubling this in ten years if the market remains firm.

Alcan, which operates two refineries on the island with a combined rated capacity of 1.1m tonnes per year, is currently producing 950,000 tonnes, and aims to raise this to 1m tonnes a year.

"We produced about 2.1m tonnes of alumina last year, against 1.6m tonnes in 1988," said Mr Davis. "This is significant because alumina is value-added. Total bauxite production last year was about 9.5m tonnes, against 7.4m tonnes the previous year."

The prospects of the Jamaican industry were improved last month when the Government reached an agreement with the Soviet Union to supply 1m tonnes of ore a year between 1991 and 1995. This extends a seven-year contract for supplying similar amounts annually that expires this year.

In Guyana, where output has averaged 1.5m tonnes for the past five years, the Government's liberalisation of the conditions for foreign investment has resulted in new projects which promise a significant increase in output. The industry was hit by a seven-week strike early last year, but recovered to yield 1.4m tonnes of ore for the year, according to preliminary figures.

The longer-term prospects are brighter for the English-speaking republic in northern South America. Production this year will jump to about 2m tonnes, and reach a level of 4m tonnes a year by 1992.

Work was started recently by Dayco de Constructiones of Venezuela, which is mining 1.4m tonnes over three years for the Guyana Mining Enterprise, a state company, to be sold to Interalumina of Venezuela. This will be followed by the start in the second quarter of this year on a joint mining venture between the Government and a subsidiary of Reynolds Metals of the US to produce 2.6m tonnes of ore a year.

Further expansion in ore production is in prospect. Officials in Georgetown, Guyana's capital, say the Government is hoping to conclude negotiations with the Virgin Islands Alumina Company, owned by Clarendon, a subsidiary of Marc Rich, the commodity broker, to supply ore for a refinery in the US Virgin Islands.

The refinery, which was closed for three years, was bought last year from Martin Marietta of the US, and is to be restarted soon. If the Guyanese conclude a supply contract the industry could have an outlet for another 1.5m tonnes of ore each year. Further expansion is likely following an agreement in principle between the governments of Guyana and the Soviet Union to establish a joint bauxite mining venture, which should yield about 500,000 tonnes of ore a year.

It will be some time, however, before Guyana will be able to re-enter the refining industry. The Government and Hydro Aluminium are discussing the rehabilitation of the country's refinery, a 300,000 tonnes per year facility which was closed in 1982. Government officials say a restart of the plant would cost about $100m, and that this financing will be difficult to obtain.

Record tea output forecast

THE UNITED Planter's Association of Southern India has forecast a world tea output record for 1990 of 2.53bn kg, based on information from various producing countries, reports Reuter from Coonoor.

The association estimates the calendar crop at 2.43bn kg, including China, the Soviet Union, Argentina and Turkey, for which final 1989 figures are not yet available.

In 1988 world production was 2.44bn kg.

UPASI said 1990 production would be aided by fair weather conditions and good prices, enabling profits to be ploughed back into the crop. It has forecast global export availability of 1.08bn kg in 1990 compared with an estimated 1.07bn kg in 1989 and an actual 1.05bn kg in 1988.

Meanwhile the Indian Tea Association has forecast record domestic output of 720m kg this year, assuming an average growth rate and favourable weather.

The 1989 crop is estimated at 686m kg. Adverse weather reduced 1988 output to 674m kg.

The Association, noting a 10 gram per capita growth rate in domestic consumption, projected 1990 consumption at 510m kg, leaving a surplus of 210m kg for export, the same amount as exported in 1989.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,690-1,750 (1,670-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.90-4.30 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.70-5.00 (4.80-5.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.65-7.85 (7.60-7.85).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 235-245 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.63-2.70 (2.55-2.65).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 41-59 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.20-2.40 (2.10-2.30).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.20 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE metal prices declined across the board on the LME yesterday. Cash copper closed at a 17-month low of £1,301 a tonne. Three-month metal traded down to £1,315 a tonne in the morning, but the dollar price of $2,180 remained some $30 above the lows reached last week. Analysts said the market is still finding chart support around the $2,150 to $2,160-a-tonne area, but solid chart resistance now seems to have built up in the $2,200 to $2,230 range. Bearish sentiment largely reflects concern over unsettled world equity markets and a lack of fresh fundamental supportive factors. Cash aluminium closed at a contract low of $1,420 a tonne. Active trading at the lows may have reflected some consumer demand attracted by cheaper prices. But chartists are looking for a dip to around $1,400 for three-month metal.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.75-6.85z	-0.50
Brent Blend	$19.87-9.93z	-0.50
W.T.I. (1 pm est)	$22.42-2.46z	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$221-223	+2
Gas Oil	$169-170	-1
Heavy Fuel Oil	$87-89	
Naphtha	$203-205	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$419	+0.25
Silver (per troy oz)♣	520c	-4
Platinum (per troy oz)	$514.25	+0.90
Palladium (per troy oz)	$125.15	-0.50
Aluminium (free market)	$1430	-35
Copper (US Producer)	103⅝-104c	
Lead (US Producer)	40.5c	
Nickel (free market)	290c	-10
Tin (Kuala Lumpur market)	17.50r	-0.01
Tin (New York)	292c	-12
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	110.14p	-0.78*
Sheep (dead weight)†	208.23p	+0.32*
Pigs (live weight)†	84.68p	+2.89*
London daily sugar (raw)	$356.8x	+0.4
London daily sugar (white)	$439.5x	+7.5
Tate and Lyle export price	£326.5	-0.5
Barley (English feed)	£112.6w	
Maize (US No 3 yellow)	£128.5w	
Wheat (US Dark Northern)	£130	-5
Rubber (spot)♥	52.50p	
Rubber (Mar)♥	55.75p	+0.25
Rubber (Apr)♥	56.75p	+0.25
Rubber (KL RSS No 1 Feb)	227.5m	+1.0
Coconut oil (Philippines)§	$427.5x	
Palm Oil (Malaysian)§	$285w	
Copra (Philippines)§	$275	
Soyabeans (US)	£160	
Cotton "A" index	73.75c	+0.05
Wooltops (64s Super)	568p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	629	629	632 623
May	640	642	644 637
Jul	655	655	655 651
Sep	670	671	674 669
Dec	694	695	697 692
Mar	714	714	715 712
May	729	729	730 725

Turnover: 7605 (4386) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 29 761.32 (765.18):10 day average for Jan 30 759.49 (756.9)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Jan	575	578	573 582
Mar	580	585	586 575
May	582	592	587 575
Jul	591	604	599 587
Sep	607	615	614 603
Nov	622	635	626 620
Jan	636	650	640 635

Turnover: 5503 (5097) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 26: Comp. daily 62.66 (62.91). 15 day average 62.36 (62.47)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	318.00	329.20	332.60 318.00
May	317.80	329.20	332.20 317.60
Aug	317.00	327.20	328.00 317.00
Oct	308.80	317.60	320.00 308.80
Dec	307.00	310.00	310.00
Mar	285.80	294.40	297.20 285.00

White	Close	Previous	High/Low
Mar	422.0	430.5	431.0 421.0
May	419.5	428.5	428.5 419.0
Aug	425.0	432.5	432.0 422.0
Oct	389.8	399.0	397.0 389.5
Dec	363.5	373.0	
Mar	357.0	367.5	357.0
May	357.0	367.5	369.5

Turnover: Raw 6230 (3351) lots of 50 tonnes. White 1393 (1087)
Paris- White (FFr per tonne): Mar 2445, May 2445, Aug 2480, Oct 2315, Dec 2185, Mar 2170.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Mar	19.86	20.05	20.19 19.84
Apr	19.37	19.51	19.55 19.32
May	19.08	19.01	19.08 18.96
Jun		18.70	18.65 18.65
IPE Index		19.70	19.97 19.97

Turnover: 6539 (8018)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Feb		169.50	
Mar		167.50	
Apr		161.50	
May		160.00	
Jun		157.50	
Jul		158.50	
Oct		162.50	

Turnover (4299)lots of 100 tonnes

JUTE
February/March c and f Dundee BTC $580, BWC $580, BTD $540, BWD $540; c and f Antwerp BTC $560, BWC $550, BTD $525, BWD $515.

COTTON
Liverpool- Spot and shipment sales for the week ended January 26 amounted to 469 tonnes against 471 tonnes in the previous week. Fair operations occured with dealings in West African and Turkish growths.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,400 tonne
Cash	1415-22	1443-6	1431/1420	1429-30		
3 months	1441-2	1466-7	1465/1440	1451-2	1444-5	2181 lots
Copper, Grade A (£ per tonne)						Ring turnover 36,625 tonne
Cash	1300-2	1335-7	1304/1301	1302-4		
3 months	1316-7	1352-3	1326/1315	1321-2	1315-6	97 lots
Lead (£ per tonne)						Ring turnover 5,175 tonne
Cash	415-7	421-3	419/417	416-7		
3 months	409-10	414.5-5.0	414/408	410-11	405-9	lots
Nickel ($ per tonne)						Ring turnover 516 tonne
Cash	6050-100	6425-50	6150/6025	6140-50		
3 months	5910-25	6300-25	6150/5900	6000-25	5900-50	58 lots
Tin ($ per tonne)						Ring turnover 785 tonne
Cash	6320-40	6555-85		6480-500		
3 months	6455-70	6590-5	6570/6400	6600-10	6400-10	lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 6,150 tonne
Cash	1280-3	1290-5	1282/1280	1279-81		
3 months	1278-80	1285-90	1285/1275	1282-3	1279-80	4 lots
Zinc ($ per tonne)						Ring turnover 1,550 tonne
Cash	1275-85	1285-95		1284-6		
March 30	1245-55	1250-60		1250-60		lots

LME Closing £/$ rate: SPOT: 1.6845 3 months: 1.6585 6 months: 1.6376 9 months: 1.6158

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
Feb	145.0	144.0	144.0 144.0
Apr	200.3	201.0	200.2 198.6
May	223.0	226.0	222.7 221.0

Turnover 191 (107) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Apr	133.00	132.50	133.00

Turnover 50 (105) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
Jan	1646	1645	1646 1646
Feb	1612	1615	1614 1606
Apr	1644	1648	1646 1643
Jul	1392	1387	1390 1385
Oct	1493		1495 1485
BFI	1644	1648	1644 1644

Turnover 286 (193)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
Mar	115.30	114.40	115.25 114.50
May	119.35	118.40	119.35 118.55
Jun	121.15		121.15 120.50
Sep	106.00		106.00
Nov	108.85		108.85

Barley	Close	Previous	High/Low
Mar	108.75	108.30	
May	110.75	110.40	

Turnover: Wheat 264 (132), Barley 0 (48).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	110.0	109.5	
Apr	114.0	113.5	113.0
Jun	114.0	113.5	113.5
Aug	114.0	115.0	
Oct	115.0	114.5	

Turnover 20 (5) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	418¾-419¼	249¼-246¾
Opening	418-418½	250¾-251¼
Morning fix	417.80	248.543
Afternoon fix	418.15	249.042
Day's high	419¾-420¼	
Day's low	417-417½	

Coins	$ price	£ equivalent
Maple leaf	427-432	253½-256½
Britannia	427-432	253½-256½
US Eagle	427-432	253½-256½
Angel	427-432	253½-256½
Krugerrand	416½-419½	247-249
New Sov.	99-101	58¾-59¾
Old Sov.	99-101	58¾-59¾
Noble Plat	518.50-526.70	308.10-312.95

Silver fix	p/fine oz	US cts equiv
Spot	309.00	520.00
3 months	320.15	530.40
6 months	331.75	541.45
12 months	354.75	564.55

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1350	89	106	5	12
1450	24	43	38	47
1550	3	18	116	114
Copper (Grade A)	**Calls**		**Puts**	
2100	130	131	21	55
2200	59	79	59	101
2300	23	44	122	163
Coffee	**Mar**	**May**	**Mar**	**May**
550	32	50	4	20
600	6	25	26	45
650	1	11	73	81
Cocoa	**Mar**	**May**	**Mar**	**May**
600	33	57	4	70
650	6	29	27	39
700		13	71	73
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900		106		33
1950	15	66	15	13
2000		33		25

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	0	420.11	0	0
Feb	417.9	419.2	421.5	416.8
Mar	420.8	422.0	420.8	420.8
Apr	423.7	425.1	427.0	422.7
Jun	429.0	430.8	432.0	428.5
Aug	435.5	436.1	436.5	434.8
Oct	0	441.6	0	0
Dec	445.0	446.7	447.3	443.0
Feb	450.0	452.1	452.0	451.5
Apr	0	457.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	0	0	0	0
Mar	0	0	0	0
Apr	520.0	523.9	522.5	517.0
Jul	524.5	530.4	528.5	524.1
Oct	533.5	538.4	533.5	532.0
Jan	0	542.9	0	0
Apr	0	550.6	0	0
Jul	0	0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	520.7	521.5	520.5	520.5
Mar	524.6	526.3	526.0	523.0
Apr	0	0	0	0
May	532.8	533.8	535.5	531.5
Jul	540.9	541.7	543.5	540.0
Sep	549.3	550.3	552.5	550.6
Dec	561.0	562.2	565.0	560.0
Jan	564.4	566.6	0	0
Mar	572.9	574.3	575.0	575.0
May	580.8	582.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	96.15	97.45	97.05	96.10
Mar	95.65	96.75	97.30	95.50
Apr	95.30	96.35	95.90	95.90
May	95.15	96.15	96.60	95.10
Jun	94.85	95.50	95.50	95.20
Jul	94.25	95.35	95.30	94.00
Aug	93.85	95.00	95.00	95.00
Sep	93.35	94.55	94.30	93.30
Oct	93.05	94.15	94.50	94.50
Nov	92.75	93.80	94.50	94.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	22.56	22.80	22.76	22.36
Apr	21.89	22.01	22.00	21.75
May	21.49	21.56	21.57	21.37
Jun	21.12	21.19	21.17	21.02
Jul	20.80	20.84	20.82	20.70
Aug	0	20.54	20.53	20.37
Sep	20.23	20.30	20.30	20.20
Oct	20.07	20.11	20.13	20.05
Nov	20.00	20.00	20.00	19.97
Dec	19.88	19.92	19.92	19.87

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	6080	6111	6170	6050
Mar	5880	5922	5970	5840
Apr	5650	5671	5700	5615
May	5470	5472	5500	5440
Jun	0	5342	5360	5305
Jul	0	5312	5310	5280
Aug	5345	5362	5380	5340
Sep	5460	5442	5460	5450
Oct	0	5502	0	0
Nov	5625	5592	5625	5625

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	976	986	985	972
May	968	982	977	965
Jul	983	976	993	981
Sep	1001	992	1001	996
Dec	1023	1018	1026	1019
Mar	1041	1033	1049	1042
May	1053	1051	0	0
Jul	0	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	80.37	80.60	80.75	79.90
May	81.95	82.00	82.10	81.40
Jul	83.96	83.85	84.10	83.10
Sep	85.75	85.80	85.70	85.10
Dec	87.73	88.13	87.95	87.50
Mar	89.90	90.25	89.80	89.80
May	91.75	92.25	0	0
Jul	0	0	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.44	14.87	15.05	14.43
May	14.44	14.86	15.01	14.40
Jul	14.35	14.71	14.83	14.25
Oct	13.89	14.28	14.39	13.87
Mar	13.16	13.52	13.65	13.15
May	13.08	13.44	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	65.95	64.66	66.00	64.95
May	67.30	65.15	67.30	66.40
Jul	67.65	65.60	67.70	66.90
Oct	65.85	65.05	65.75	65.10
Dec	64.60	63.92	64.65	64.02
Mar	65.10	64.75	65.10	65.10
May	0	65.30	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	197.50	197.80	197.95	195.75
May	196.00	196.80	197.00	195.10
Jul	194.25	195.45	195.50	193.80
Sep	188.00	189.25	189.25	0
Nov	181.00	183.00	181.00	181.00
Jan	179.00	181.00	179.00	179.00
Mar	0	179.80	0	0
May	0	180.50	0	0
Jul	0	0	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 30	Jan 29	mnth ago	yr ago
1773.1	1781.7	1818.1	1975.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 30	Jan 29	mnth ago	yr ago
Spot	127.11	127.08	127.25	137.89
Futures	128.04	127.40	126.30	141.41

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.16	19.23	19.29	19.07
May	19.47	19.61	19.66	19.46
Jul	19.75	19.87	19.90	19.71
Aug	19.80	19.92	19.90	19.80
Sep	19.81	19.96	19.96	19.81
Oct	19.83	19.98	20.00	19.83
Dec	19.95	20.15	20.15	19.95
Jan	20.00	20.18	20.15	20.00
Mar	20.05	20.22	20.00	20.10
May	0	0	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	167.6	169.7	170.0	167.2
May	170.9	172.7	173.0	170.2
Jul	173.7	175.3	175.5	173.1
Aug	175.2	176.7	177.0	175.1
Sep	177.1	178.2	178.5	176.6
Oct	178.6	179.2	179.5	178.3
Dec	181.6	182.3	182.5	181.0
Jan	183.0	184.0	183.5	182.5
Mar	0	0	0	0
May	0	0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/4	239/4	239/6	238/2
May	244/0	245/2	245/4	243/6
Jul	248/2	249/2	249/6	248/0
Sep	247/2	248/2	248/6	247/0
Dec	245/4	246/0	246/4	245/0
Mar	252/0	252/4	252/4	251/4
May	255/4	256/0	256/0	255/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	376/0	378/6	380/4	375/2
May	363/0	365/6	365/4	362/4
Jul	347/4	350/0	350/4	347/0
Sep	353/6	355/4	355/6	353/4
Dec	366/0	367/4	367/6	365/0
Mar	372/4	373/4	372/4	371/2

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.35	79.30	80.10	79.32
Apr	77.07	76.85	77.27	76.77
Jun	72.62	72.32	72.70	72.40
Aug	71.17	71.17	71.37	71.15
Oct	71.92	71.80	72.07	71.85
Dec	72.60	72.60	72.85	72.55
Feb	0	0	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.42	49.15	49.80	49.32
Apr	47.32	47.20	47.67	47.12
Jun	52.75	52.57	53.02	52.55
Jul	52.70	52.65	53.06	52.57
Aug	51.15	51.12	51.47	51.10
Oct	46.47	46.60	46.60	46.45
Dec	46.92	47.00	47.20	46.45
Feb	47.12	47.12	47.30	46.85
Apr	0	0	0	0

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	556/4	563/4	564/4	557/0
May	571/6	575/4	577/0	570/2
Jul	584/4	587/4	588/6	583/0
Aug	588/6	592/4	592/2	587/4
Sep	590/0	591/6	592/0	587/4
Nov	594/0	597/4	598/0	593/0
Jan	604/0	607/0	607/0	603/0
Mar	615/0	617/0	617/0	613/0
May	622/0	624/0	622/0	620/0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.90	52.10	51.80	50.20
Mar	51.17	52.42	52.30	50.55
May	52.17	53.47	53.32	51.50
Jul	52.60	53.45	50.75	51.80
Aug	50.95	51.22	51.60	50.10
Feb	54.05	54.85	56.05	54.05
Mar	55.80	55.80	0	0
May	0	0	0	0
Jul	0	0	0	0

هكذا في الأصل

LONDON STOCK EXCHANGE

Bond markets set tone for equities

TRENDS IN other leading world stock markets continued to cast a spell yesterday over a London equity sector which spent much of the day moving within very narrow trading limits. Only in late deals, when Wall Street was falling in early trading, did UK equities begin to lose heart.

The market managed to hold on to its recent trading range, although an early attempt to move above the Footsie 2,300 mark proved unsuccessful, and a 5 point gain in the Index was whittled away and then erased in fairly thin trading.

Traders believed that a modest selling programme was operated later in the session, perhaps sparked off when the Footsie option market was hit by the largest trade so far recorded; the 37,000 option deal represented a computer-driven trading move by a large UK fund ahead of the expiration today of the current Footsie option series and was regarded as "moderately bearish" for the underlying stock market.

At the close, the FT-SE Index was a net 6.8 points off at 2,322.0, partly in reflection of the 9 point fall then showing on the Dow Industrial Average. Seaq volume of 492.1m shares, compared with 420.4m on Monday, was believed to include a substantial proportion of inter-dealer trades. The big investment funds kept out of the London market as they waited for Wall Street's response to President Bush's State of the Union message to the US Congress today. However, there was no immediate response in London to comments on the US economy from Mr Alan Greenspan, chief of the US Federal Reserve Board, to a US Congressional committee.

The uncertainty which has crept into the UK equity market this week was blamed by the strategy team at County NatWest, the UK investment banking house, on developments in world bond markets. Commenting that "even the US long bond is now cracking", Mr John Reynolds of County stressed that "bonds are now the key to any unlocking of the equity market".

On the domestic front, the latest survey of business opinion from the Confederation of British Industries was regarded as confirming market perceptions that high interest rates in the UK are having increasing effect on UK manufacturing, although the references to increased export confidence backed up the welcome signs of improvement in the British trade deficit.

Against the generally lacklustre market, UK bank stocks continued to hold firm despite some worries over leveraged buyout exposures. The sector is regarded as a strongly defensive area in a market where industrial and consumer-driven equities are under a cloud. But there was little sign in the London equity market of the speculative interest which returned to the sector in the previous session.

Account Dealing Dates

*First Dealings:		
Jan 15	Jan 29	Feb 12
Option Declarations:		
Jan 25	Feb 8	Feb 26
Last Dealings:		
Jan 26	Feb 9	Feb 23
Account Day:		
Feb 5	Feb 19	Mar 5

*New time dealings may take place from 9.00 am two business days earlier.

Wellcome firm in late trade

News that Retrovir, Wellcome's anti-Aids drug, had been given a green light by the advisory committee to the US Food and Drug Administration came moments after the official close of trading in the London stock market. At that point the Wellcome price was 2 better on the day at 724p. After the Seaq mandatory quotation period had ended, Wellcome shares rose to 728p bid and then to 733p bid. The flurry was quickly over, however, and by the time marketmakers shut for the night, the mid-price was back at around 724p.

Mr Jonathan de Pass and Mr Steve Plag, BZW's pharmaceuticals team, said the announcement was positive, albeit expected. "All the good news is now in the share price," said Mr Plag, "which is overvalued in the short term." He remained positive in the longer term.

Mr James Culverwell at Hoare Govett and Mr Paul Woodhouse at Smith New Court were less equivocal. "This is all Wellcome could have hoped for," said Mr Woodhouse. The next indicator of the fortunes of Retrovir would be the numbers of prescriptions in three to four months time. Both he and Mr Culverwell said the stock should continue to be well-supported, "strongly supported by bid speculation which is likely to persist." Marketmakers said the shares had gone past the downgrade stage and that any perceived weakness would only make a takeover bid more likely.

The strength of sterling rubbed a little of the shine off internationally quoted stocks other than Wellcome. ICI slipped 16 to 1078p, Glaxo shed 12 to 720p, Smithkline Beecham lost 5 to 551p and Unilever eased a penny to 667p.

British Aerospace opened strongly and were 10 up at 553p at one point, but later faded with the market to 542p. The market was pleased by the announcement of plans for a joint-venture in guided missile systems with Thomson-CSF of France, although Mr Nick Cunningham of Laing & Cruickshank believed the market had over-reacted, since the move had been likely for several months.

There was also speculation about stake-building by Daimler-Benz, which was fuelled by press comment in the US. However, many analysts considered the possibility of Daimler building a hostile stake to be remote, and played down its significance.

Another aviation stock, AIM, was marked down 58 to 217p, after reporting interims 38 per cent lower at £1.3m and warning that profits for the year would be below last year's. BZW cut its profits forecast from £5.3m to £2.7m. The company cited the industrial action at Boeing and British Aerospace, and delays in the MD-11 aeroplane, as reasons for its disappointing performance. The property division, which at one point was expected to bring in a profit, also failed to live up to expectations.

Royal Bank ruffled

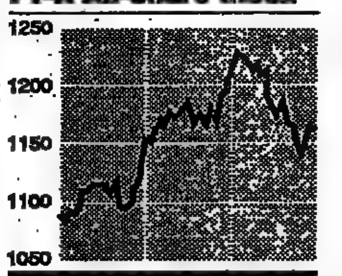
Royal Bank of Scotland were given a rough ride in the market after press reports on the bank's exposure to "highly leveraged transactions" – market jargon for the leveraged/management buyouts that were in vogue during 1988 and early 1989.

Analysts reduced their profits estimates for the bank, with most forecasts for the year to end-September being cut to £320m to £350m, from around £350m to £390m.

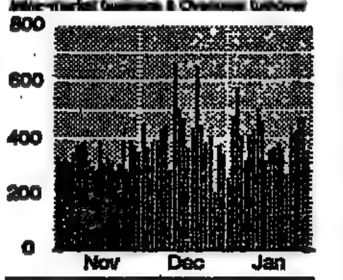
Royal Bank shares, which have been supported in recent months by persistent speculation of takeover bids for the bank, fell back to 201p early yesterday, but quickly rallied to their overnight level of 208p, before slipping afresh and closing a net 4 off at 204p. Turnover reached 6.5m shares, well up on usual levels.

The mid-afternoon rally in the share price came as Royal issued a statement saying it plans "no extensive new provision against its exposure to highly leveraged buyouts." At Flemings Research, banks' analyst Mr Hugh Pye said he thought the stock was

Activity in TSB, where 9.1 shares changed hands, eclipsed even that of Royal Bank, as the market reacted positively to suggestions that TSB may be considering the sale of its Target unit trust/financial services group. Specialists agreed that such a sale was a strong possibility, but said that TSB would probably only get half of the £227m it had paid for the business. But they also said the bank may well put some of its more peripheral businesses, such as Swan National, up for sale. TSB shares ended the day 3 higher at 142p, having touched 144p earlier in the session.



FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover

Standard Chartered finally encountered some determined profit-taking after the break-up bid stories of recent weeks, closing 3 off at 585p.

The big-four banks encountered persistent demand ahead of the preliminary reporting season which gets underway towards the end of next month. Lloyds, where talk Canadian and New Zealand asset sales persists, rose 5 to 296p. Barclays put on 8 to 567p.

The insurance areas of the market provided plenty of features. In lifes Prudential added 5½ at 225p on turnover of 4.5m. Sun Life jumped 48 more to a year's high of 1378p with dealers convinced that a takeover bid for the group from 25 per cent shareholder UAP could be on the cards "before Sun Life makes the expected rights issue," as one put it.

Guardian Royal Exchange, 8 higher at 253p, provided the lion's share of the business in composites with turnover of 2.9m shares leading traders to believe that the big buyer of GRE shares at the end of last year, widely hinted to be Italy's Generali, had returned to the market.

The water stocks enjoyed further gains after a buy note issued by Kleinwort Benson. Mr Peter Hyde at Kleinwort expects further outperformance from the water shares, saying high yields and guaranteed dividend growth make them attractive relative to the UK market. "There will be no profit downgradings, economic factors are of minor importance, and bid speculation will keep the sector buoyant," says Mr Hyde. The Water Package rose £12 to £1635.

BP held at 334p, despite big interest in both the traded options, where business equivalent to 6.3m shares was transacted, and the underlying market where 7.4m shares changed hands.

LASMO moved ahead, closing 12 higher at 610p, driven up by talk of imminent positive drilling news from the North Sea and, more importantly, dealers said, by the re-emergence of long-term investment buying. There were also vague suggestions that LASMO could be lining up a big acquisition which could involve fund raising.

The sale by Next of its West German ladies fashion subsidiary Biba, for £47.6m, helped the company's shares. They spent much of the day 3 better but closed only a penny higher at 91p.

W.H. Smith "A" shares weakened quickly ahead of interims today. Analysts at UBS Phillips & Drew sounded a cautious note in the wake of disappointing figures on Monday from John Menzies, another chain of newsagents. "Menzies gave a clear warning at the agm, yet the stock fell heavily when the figures came out," said UBS. The securities house nevertheless stuck with its forecast of £38m.

Fears that more bad news on US trading from USM-quoted Sock Shop was imminent saw the shares slide 11 to 59p.

Analysts at Smith New Court reiterated their positive sentiments on Sainsbury and Tesco after a visit to the former on Monday. The shares advanced against the wider market's trend, climbing 5 to 264p and a penny to 200p respectively. Unigate continued to suffer from Monday's downgradings from at least three securities houses. The shares fell 5 to 325p.

Among otherwise dull brewers, speculation on possible imminent moves from Elders IXL moved Scottish and Newcastle and Grand Metropolitan. The former climbed 5 to 330p on renewed talk that Elders' 29.9 per cent stake in the company was being placed, while the latter fell 5 to 617p on the story that the much touted pubs-for-breweries swap with Elders was about to come to take place.

Interims profits barely ahead at £2.75m from Goodhead left the shares 4 off at 146p. Interims from Partridge Fine Arts were 38 per cent higher at £3.2m and pushed the shares 3 better to 125p.

The absence of news on a failed placing of 2½m United Newspapers shares on Monday did nothing to dissuade dealers from the belief that the whole block still overhung the market. United fell 18 to 406p.

Pearson continued firm for the second day running after some underperformance last week. The shares advanced 11 to 737p as a slim 185,000 changed hands. One trader explained: "No one wants to be on the offer – if I sold a hundred [thousand] I'd never see them again." He added that a buyer on the inter-dealer broking service accounted for about 30 per cent of the turnover.

Further thoughts on Blue Arrow's figures and relocation plans, revealed on Monday, took 2½ off the shares to 86½p.

Beazer were marked down 9 to 155p after the announcement that the Australian company Girvan, in which Beazer holds a 14.5% stake, had gone into receivership. A full provision of £29m will be made to cover the stake in the next annual accounts. The shares rallied by the close to 158p.

The auctioneer Christies International gained 10 to 309p, before finishing at 305p. The recent good results announced by Sotheby's and its subsequent share price rally, with Sotheby's "A" shares up 50 at 1500p, improved sentiment towards auctioneers. Mr Neil Blackley of James Capel said that the pre-season sales in furniture, silverware and sculpture had been successful, and had given the market some reassurance that Christies would continue last year's trend in 1990.

TACE, the rubber products manufacturer, slipped 10 to 143p, rallying to reach 148p by the end of the day. It gave a profits warning on Monday.

Secondary properties saw continued speculative interest in Laing Properties, the possible target of a bid by private company Chelsfield. The shares rose 17 to 597p at one point, and ended the day at 595p. The shares had risen 19 on Monday. The stock is trading on a discount to net asset value, and Smith New Court put a value of 730p a share if the company were to be valued in terms of its assets.

Early buying of Percy Bilton continued to fuel vague bid speculation. The shares gained 18 to 443p. Marketmakers said that the stock was tightly traded, and that it needed to do some "catching up" having lagged behind the market.

Of the property leaders, Slough Estates was down 7 at 311p, having touched 309½p, on large volume for the stock of 1.7m. This was attributed by one analyst to an early switch out of Slough into Percy Bilton. One dealer said that recent firmness in larger industrial property companies had been a matter of fashion had led to an element of profit-taking. Other property leaders were also weak. Land Securities dropped 9 to 496p, MEPC shed 7 to 499p, and British Land declined 3 to 398p.

A two-way pull developed in the Racal twins where heavy and persistent US buying was more than offset by selling from European brokers. Racal Electronic ended a busy session a shade off at 218p after turnover of 14m, while Racal Telecom eased 4 to 354p on turnover of 3.4m. Specialists said at least two roadshows were planned for the Racal stocks in the next few weeks, one by a US broking house and another by a European-owned broking firm.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 23

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (..). BRITISH FUNDS (3) Treas. 3pc 1990, Treas. 8¼pc 87-90, Treas. 2½pc 2020, BANKS (1) TSB, BREWERS (1) Macdonald Martin "A", BUILDINGS (1) Allen Comm. Eq., FOODS (1) Ferrpak, HOTELS (3) Allied Leisure, Norfolk Capital, Savoy "A", INDUSTRIALS (2) Hafslund Nyd. A, Do. B, INSURANCE (1) Sun Life, PAPERS (1) TMD Advertising, PROPERTY (2) Laing Props., Do. 8¾pc Ln 2000-5, SOUTH AFRICANS (2) OK Bazaars, SASOL, OILS (4) Aviva Pet., Gt. Western Res. A, LASMO, Pict. Pet., MINES (5) BHP Goldmines, Driefontein, Elandsrand, Homestake Mining, Kidston Gold Mines, THIRD MARKET (1) Blackland Oil.

NEW LOWS (..). FOREIGN BONDS (1) Ireland 8¾pc 91-96, AMERICANS (9) Bowater, Brunswick, Chemical Bnkg., Chrysler, Contl. Bank Corp., Dana Corp., IBM, Morris (Philip), Whitman, CANADIANS (4) Brascan, ECO Corp., Nova Corp of Alb., Tarn Pure Tech., BREWERS (1) Clark (Matthew), STORES (8) Martin (A), PML, Pepe Grp., Sherwood Grp., Sock Shop, ELECTRICALS (7) Datacom, Black & Decker, Emess Pf, MBS, Midicom, Newmark (Louis), Optim Grp., ENGINEERING (1) VSEL Consortium, FOODS (1) Normans Grp., INDUSTRIALS (10) AIM, Benson Grp., Bestwood, Brandon Hire, Chestergate, Fletcher Chlng., Lilly (Eli), Norcross, Norton Grp., Porth Grp., LEISURE (2) Pavilion Leisure, Quadrant Grp., MOTORS (1) Gates (F.G.), PAPERS (8) Addison Consult., Goodhead Grp., Hunterprint, Lawson Marden, Lopex, Parkway, PROPERTY (3) de Morgan, English & O'seas Prop., Priest Marians, SHOES (1) Strong & Fisher, TEXTILES (1) Lowe (Robert H), TRANSPORT (1) TNT, TRUSTS (4) Brit & Comm., Do. 4¼pc Pf., Greyfriars Inv., Sphere Inv Tst, OILS (1) Coastal Cpn., THIRD MARKET (4) Aust's. of Dist., Kromagraphic, LGW, UPL.

FINANCIAL TIMES STOCK INDICES

	Jan 30	Jan 29	Jan 26	Jan 25	Jan 24	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.64	81.77	81.84	81.60	81.08	88.43	89.29 (5/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.82	90.94	90.85	90.95	91.11	97.17	99.59 (15/3/89)	90.85 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1853.0	1863.9	1851.5	1835.5	1826.6	1674.4	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	364.5	369.6	370.9	371.5	357.2	169.3	371.5 (25/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2322.0	2328.8	2314.5	2289.9	2278.6	2051.8	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.62	4.60	4.62	4.66	4.67	4.39				
Earning Yld %(full)	11.23	11.22	11.29	11.37	11.42	11.01				
P/E Ratio(Net)(*)	10.77	10.79	10.73	10.65	10.60	11.01				
SEAQ Bargains(5pm)	25,003	27,269	29,453	25,227	29,917	46,853				
Equity Turnover(£m)†	-	674.11	942.16	1003.09	885.21	1946.99				
Equity Bargains†	-	26,804	29,544	25,957	29,006	51,810				
Shares Traded (ml)†	-	351.9	472.3	472.0	425.5	804.2				

Ordinary Share Index, Hourly changes — Day's High 1868.0 — Day's Low 1852.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1861.0	1860.0	1864.9	1864.7	1863.2	1864.3	1860.6	1854.0

FT-SE 100, Hourly changes — Day's High 2334.0 — Day's Low 2321.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2325.5	2324.4	2332.6	2332.2	2331.0	2332.2	2330.8	2322.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ※ Nil 10.72

GILT EDGED ACTIVITY

Indices*	Jan 29	Jan 26
Gilt Edged Bargains	95.0	97.4
5 – Day average	98.2	95.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. [illegible]

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			
Blue Circle	1,000	233	-2
Boots	2,000	268	-4
Brit. & Comm.	1,400	77	-1
Brit. Aerospace	952	542	-1
British Airways	1,500	230	-4
British Gas	3,200	218½	-3½
British Land	328	398	-3
BP	7,400	334	
British Steel	4,000	130½	-3½
British Telecom	6,500	285	-1
Bunzl	360	187	
Burmah Oil	82	634	-5
Burton	1,300	136	-1
Cable & Wire.	1,200	545	-3
Cadburys	2,000	301	-1
Calor Group	85	383	-5
Carlton Comms.	590	768	-1
Coats Viyella	722	136	-1
[illegible]			
GKN	914	429	-1
Guinness	505	655	
Hammerson "A"	184	768	-2
Hanson	4,000	224½	-½
Hanson Warrants	1,100	58½	-½
Harrisons Cros.	185	162	-1
Hawker Sidd.	71	672	-11
Hillsdown	590	287	-5
IMI	368	218½	-3½
ICI	885	1078	-16
Inchcape	607	278	-6
Jaguar	0	849	
Kingfisher	814	384	-4
Ladbroke	2,200	317	-5
Land Securities	597	496	-9
Laporte	15	515	-1
Legal & General	785	415	+6
Lloyds Abbey	387	314	
[illegible]			
RMC	603	673	-1
RTZ	3,700	509	-16
Racal	14,000	218	-1
Racal Telecom	3,400	354	-4
Rank Org.	304	784	-4
Reckitt & Colman	191	1224	-15
Redland	1,000	570	+10
Reed Intl.	325	419	
Reuters	986	1005	-11
Rolls Royce	2,000	177	-1
Rothmans	103	654	
Ryl Bk Scotland	6,400	204	-4
Royal Insurance	465	535	-2
STC	2,075	248	-3
Saatchi	395	248	-5
Sainsbury	2,800	264	+5
Scottish & New.	1,300	330	+5
Sears	6,500	102½	-½
[illegible]			
Thames Water	1,900	156½	+1½
THORN EMI	836	789	+16
Trafalgar House	230	338	-1
Trusthouse Forte	1,800	281	-2
Ultramar	2,200	375	-1
Unigate	1,100	325	-5
Unilever	1,000	667	-1
United Biscuits	1,800	342	-5
Utd. Newspapers	552	406	-18
Wellcome	1,800	724	+2
Whitbread "A"	381	398	-3
Williams Hldgs.	645	236	-2
Willis Faber	223	276	+1
Wimpey	281	284	-2

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

Standard Chartered personnel chief

■ Mr Martin Fish has been appointed head of group personnel at STANDARD CHARTERED from February 1. He will be responsible for the group's human resources world-wide. Mr Fish joined the group from Corporate Renewal Associates, and succeeds Dr Henry Fabian who has been appointed to lead a number of special projects across the group. Mr David Brougham has been appointed senior credit approval officer. He joins from a similar post in Mellon Bank.

■ Mr Chris Gilbey, manager of industry affairs for British Airways, has been appointed to the UNIVERSAL AIR TRAVEL PLAN board of management that administers Air Travel Card, the business travel payment system. He will represent the UK airline. Established in 1936 as the world's first charge card, Air Travel Card has over 1.5m users.

■ Mr David Heslop has been appointed chief executive of MAZDA CARS (UK), Tunbridge Wells. He was sales director, succeeding Mr John Ebenezer who remains chairman.

■ Mr Charles A. Good, managing director of J.S. Gadd & Co. has been appointed a director of SHOPRITE GROUP, Isle of Man. He was financial adviser to the company.

■ Mr Duncan Mayall has been appointed financial controller at WILLIAMS GRAND PRIX ENGINEERING, Didcot, a Formula 1 racing team.

■ BRADSTOCK GROUP has made the following appointments: Mr Donald J. McKay as a director of Professional Indemnity Insurance Brokers; and Mrs Carol A.P. Herring as a director of Hospital and Health Insurance Services.

■ Mr Ernie Chilton has been appointed vice president tantalum at AVX, Aldershot, maker of leaded and chip capacitors.

■ Mr Barry Lewis has been appointed solicitor to the CO-OPERATIVE INSURANCE SOCIETY, Manchester, succeeding Mr W.I. Corlett who becomes a consultant to the company. Mr Lewis was deputy solicitor, and until last November the Society's compliance officer.

■ Mr Paul Hoggarth has been appointed operations director of Dillons the Bookstore, a subsidiary of PENTOS. He was operations director of Sherratt & Hughes, and Waterstones.

■ Mr Brian Goswell, a senior partner with Healey & Baker, and Mr Richard Morris, chairman of Benlox, have been appointed non-executive directors of WESTMINSTER SCAFFOLDING GROUP.

Mr Michael Cornish *(above)* has been appointed network development director from March at V.A.G. (UNITED KINGDOM), Milton Keynes, importer of Volkswagen and Audi vehicles. He was general manager, desk top software group, Rank Xerox Europe, but had previously worked in the motor industry at Ford and British Leyland International.

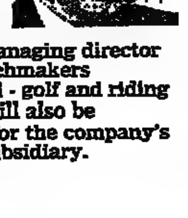
■ EDINBURGH FUND MANAGERS has made the following appointments from February 1: Mr Peter Arthur as joint company secretary; Mrs Cathy Miller as assistant director and assistant company secretary; and Mrs Diane Wilde as assistant director.

■ ALLIED-LYONS has appointed Mr David W. Jarvis, managing director of Allied Distillers, as a director and to the management board of Hiram Walker Allied-Vintners.

■ Mr Richard Martin has been appointed a director of CAPITAL HOUSE ASSET MANAGEMENT, part of the Royal Bank of Scotland Group. He was co-founder and director of Hodgson Martin, and will take up his new post in May.

■ Mr Mark Jeffers, Ms Alison Montague, and Mr George Murdoch have been promoted to associate director of CLP THE PROPERTY FINANCE BROKERS.

Mr Michael A. Ziff *(pictured)* has been appointed managing director of STYLO, Leeds, a shoe retailing group. He was managing director of main subsidiary Stylo Barratt Shoes. His father Mr I. Arnold Ziff is group chairman. Mr Roy Aspinall has been appointed managing director of Stylo Matchmakers International - golf and riding wear - and will also be responsible for the company's New York subsidiary.



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LONDON SHARE SERVICE

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	286	–4	44c	1.4	7.4	9.6
191	134	Abbey National 10p	183		17.7	2.7	5.6	7.5
*282	120½	Allied Irish Ord	263	–4	Q068%	3.3	3.1	13.5
£13½	£11½	Algemene Fl 10	£12½	......	Q28%	2.0	7.4	6.8
*80	61	Anglo Irish	73	......	Q18.7%	2.7	6.0	10.0
81	57	Ansbacher (H.) 1p	75	......	2.0	–	3.6	–
£72¼	£38¼	Bancaire Cie Fr100	£61⅝	+½	Q12½%	–	2.1	–
£46¼	£35¼	Banco Bilbao VL	£38⅞	–¼	Q35.7%	2.0	3.5	14.3
£33	£26⅝	Banco de Santander	£27⅝	......	Q21%	2.4	2.9	14.3
*296	169	Bank Ireland IrE1	262	–7	Q02.7%	3.2	4.4	9.0
£19½	£17½	Bank Leumi	£19½	......	–	–	–	–
350	345	Bank Leumi (U.K.)	345	......	†13.5	–	5.2	–
125	88	Bank Scotland	117	+2	†3.8	3.6	4.3	8.4
111¼	95½	Do. 9¼pc Irrd Pf	97¼	–½	9¼%	–	12.7	–
*67	49	Bank of Wales	54	......	2.8	1.6	6.9	11.3
*582	404	Barclays £1	567	+8	†23.0	3.5	5.4	6.5
31	19	Benchmark 20p	20	......	1.63	1.0	10.5	11.5
363	285	Brown Shipley £1	321	......	†10.5	–	4.4	–
455	325	Cater Allen £1	415	......	23.5	–	7.6	–
259	157	Chancery	175	+1	†8.0	2.8	6.1	7.7
£23	£14½	Commerzbk DM10	£21	–½	Q18%	–	3.1	–
*£29	£22	C'hgn.Hbk Kr100	£25¼	......	Q15%	–	5.4	–
£16¾	£10	Dai Ichi KBk Y50	£12½	–¼	†Q16%	8.8	0.3	42.3
*£314¼	£156¼	Deutsche Bk DM50	£288	–3¼	Q24%	–	1.5	–
£22¼	£17⅝	Espirito Santo	£19¾	+¼	075c	3.3	2.3	13.4
260	182	First Nat. Fin 10p	222	+4	13.0	♦	7.8	♦
134	90	FNFC 6.3pc CvRedPref	112	+1	6.3%	–	7.5	–
£16¾	£13½	Fuji Bank Y50	£14⅞	+⅛	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	285	......	18.5	–	8.7	–
154	118	Guinness Mahon 10p	154	......	2.1	–	1.8	–
300	197	Hambros 20p	286	–2	†10.0	–	4.7	–
116	90	Do. 7.5pc Cv Pf	115	......	7½%	–	8.7	–
60	39	HK & Shang HK$2.50	55½	–½	HQ36c	–	5.3	–
495	423	Joseph (Leo) £1	478	......	15.85	–	4.4	–
145	115	King & Shaxson 20p	138	......	9.25	–	8.9	–
422	277	Kleinwort Benson Grp	403	–3	14.0	–	4.6	–
305	213	Lloyds £1	296	+5	†11.2	4.5	5.0	5.9
56	40	Lon. Scot. Bank 10p	52	......	2.4	♦	6.2	♦
406	287	Midland £1	384	–5	†16.4	3.3	5.7	7.2
£15¼	£12¼	Mitsubishi Bank Y50	£12⅞	–⅛	†Q16%	8.1	0.3	44.8
£14⅛	£11¼	Mitsubishi Tst & Bk Y50	£11½	+⅛	Q16%	8.2	0.3	41.3
934	802	Mitsui Tst & Bk Y50	834	+1	Q16%	7.1	0.4	35.0
553	257	Morgan Grenfell £1	540	......	†10.85	–	2.7	–
*352	269	Nat Aust. Bk. A$1	307	–4	Q32c	1.5	5.0	13.3
365	255	NatWest £1	344	+5	†14.12	4.4	5.5	5.4
£220	£160	Ottoman Bank	£205	......	Q90%	–	4.4	–
83	46	Rea Bros. Group	48	......	0.5	–	1.4	–
*240	155	Rothschild (J) Hldgs	192	+2	†9.5	3.6	6.6	5.5
218	134	Royal Bk. Scotland	204	–4	7.2	3.8	4.7	7.2
822	699	Saitama Bank Y50	721	–2	†Q13%	4.7	0.4	56.2
*£13¼	£10½	Sanwa Bank Y50	£11¼	......	†Q16%	8.3	0.3	40.4
1735	870	Schroders £1	1650	......	19.5	–	1.6	–
1275	655	Do. £1 N/V	1235	+10	19.5	–	2.1	–
£33½	£19¾	Sec. Pacific $10	£20½	–¾	Q$1.96	–	5.6	–
*612	449	Standard Chartd. £1	595	–3	33.9	2.9	7.6	5.1
£19½	£13¼	Sumitomo Bank Y50	£14¼	–⅛	†Q16%	7.5	0.2	56.5
£13	£10	Sumitomo Tst & Bk Y50	£10½	+⅛	†Q16%	8.1	0.3	40.2
144	97	TSB	142	+3	5.8	q2.6	5.6	9.3
234	140	TSB Ch'nel Is'l	174	–1	Q6.7	3.5	3.9	8.7
£12	£9¼	Tokai Bank Y50	£10¼	+⅛	Q16%	4.1	0.3	74.5
1015	847	Toyo Tst & Bk Y50	864	–8	Q16%	6.9	0.4	37.3
610	470	Union Discount £1	585	......	30.0	–	6.8	–
525	277	Warburg (S.G.)	485	–7	†12.5	–	3.4	–
180	96	Do. 6pc Cnv Prf	164	–1	6%	–	4.8	–
*284	226	Westpac $A1	275	–3	Q52.5c	1.9	9.2	7.1
468	408	Wintrust 20p	415	+2	17.8	–	2.5	–
1016	872	Yasuda Tst & Bk Y50	903	–13	HQ17%	9.3	0.4	27.2

Hire Purchase, Leasing, etc.

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
545	224	Anglo Grp. 10p	290	+2	†5.0	4.1	2.3	11.3
£190	£105	Do. 9½pc 1999	£112½	–1	Q9½%	–	8.4	–
*373	110	CLF Yeoman 50p	110	–25	Q24.6%	3.4	9.5	3.4
71	56	Cambridge Grp Ir5p	65	......	Q7½%	14.8	0.5	16.7
100	45	Capital Leasing Ir 10p	45	–½	Q3.2%	♦	2.5	♦
78	51	Cattle's (Hldgs) 10p	66	......	†3.25	2.2	6.6	9.3
408	303	Prov. Financial	374	–4	[illegible]	[illegible]	[illegible]	[illegible]
235	100	Reflex Invs. Ir5p	235	......	Q26.4%	♦	0.5	♦
236	146	Secure Trust Grp. 1p	220	......	W7.09	1.5	4.3	11.1
208	127	Woodchester IR20p	205	......	†Q11½%	6.2	1.1	17.9

BEERS, WINES & SPIRITS

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
577½	437	Allied-Lyons	498	–6	†15.0	2.4	4.1	11.6
£29	£17½	Anheuser-Busch $1	£22	......	72c	–	1.7	–
1155	793	Bass	1028	–12	28.2	3.1	3.7	11.8
203	146	Boddington	159	–1	4.3	2.5	3.6	14.4
208	135	Bulmer H.P. 15p	186	......	†6.95	1.4	5.0	18.3
255	192	Burtonwood Brewery	225	......	3.55	2.5	2.1	25.2
450	373	Clark (Matthew)	382	+2	†13.0	2.8	4.6	10.5
*361	278	Devenish (J.A.) 15p	281	......	4.65	3.1	2.2	17.2
255	205	Do. 4.5pc Cv 2ndPf	215	......	4½%	25.3	2.8	–
242	162	Eldridge Pope 'A' 50p	163	......	4.1	2.3	3.4	15.5
455	370	Fuller, S.T.A.	385	–10	†4.45	4.4	1.5	18.2
658	425	Grand Metrop. 50p	617	–5	17.75	2.5	3.6	12.1
379	258	Greenall Whitley	330	–1	8.7	2.9	3.5	12.3
177	129	Do. 5.95pcCvPf	159	+1	5.95%	–	5.0	–
622	395	Greene King	397	......	†8.7	3.6	2.9	12.1
689	329	Guinness	655	......	†11.5	3.6	2.3	15.4
188	102	Do. 5¾pc Cnv Prf	181	......	5.75%	25.0	4.2	–
£228¼	£119	Do. 8¾pcCvLn	£217¼	......	Q8¾%	69.0	3.8	–
261	135	Highland Dists 20p	244	+3	3.85	2.7	3.1	23.4
*850	183	Macallan-Glenlivet	825	......	†h0.68	5.7	0.1	–
1960	1335	Macdonald Martin 'A'	1925	+25	†h24.0	2.1	1.7	37.7
515	455	Mansfield Brewery	480	+2	†9.5	3.9	2.6	14.4
240	166	Marston Thompson	212	–1	†3.36	3.5	2.1	18.2
423	325	Merrydown Wine	399	......	†h5.78	3.5	1.9	19.5
809	647	Morland	795	+2	10.25	4.1	1.7	17.0
449	284	Scott & New 20p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
354	273	Vaux Group 10p	303	......	d7.84	2.2	3.4	16.8
428	299	Whitbread 'A'	396	–3	†12.55	2.8	4.2	10.4
494	412	Wolv. & Dudley	417	+1	N9.0	3.8	2.9	13.3
535	475	Young Brew 'A' 50p	490	......	†10.2	1.8	2.8	26.2
455	395	Do. Non. V. 50p	410	......	†10.2	1.8	3.3	21.9

BUILDING, TIMBER, ROADS

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
536	329	AMEC 50p	469	+9	†17.0	2.6	4.8	8.8
132	89	Do. 6½p Cm Cv Pf	117	+1	6½%	–	7.6	–
204	105	Abbey	115	–5	26.8%	4.1	7.4	4.4
116	87	Allen 5p	105	......	†4.2	2.8	5.3	8.1
163	87½	Amco Corp	125	–1	–	–	–	–
*460	77	Anglia Sec 10p	127	......	2.0	6.7	2.1	7.4
258	140	Arncliffe 10p	140	......	†6.0	5.9	5.7	3.5
331	235	Ashtead Group 10p	277	–3	2.9	6.5	1.2	12.0
516	295	Attwoods 5p	428	–1	8.0	2.1	2.5	(21.2)
165	118	BMSS 10p	128	......	†4.0	3.8	4.2	8.1
275	197	BPB Inds. 50p	225	......	†10.75	2.4	6.4	6.0
219	127	Baggeridge Brick	140	......	3.13	5.1	3.0	8.8

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

حكمة امتد الأصل

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ∗ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89 G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xδ ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	85	......
Craig & Rose £1.. γ	830	......
Finlay Pkg 5p. .. γ	56	−1
Holt (Jos) 25p..... γ	1340	......
Arnotts..................	410	+5
Carrol (P.J.)....... γ	160	−2
Hall (R & H.).......	190	......
Heiton Hldgs....... γ	100	......
IRG......................	205	......
United Drug..........	[illegible]	[illegible]

IRISH

Cap 8½% Ln. 1991...	£96¼	......
9pc Cap Ln 1996..	£95⅛	......
Fin. 13% 97/02...	£114	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Asec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
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FNFC	22
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GEC	19
Glaxo	60
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GKN	33
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Lucas Inds	54
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Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
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Racal Elect	20
RHM	39
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STC	25
Sears	9
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T&N	16½
Unilever	57
Vickers	22
Wellcome	55

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MEPC	45
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Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Toskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.84	49.94	53.04	-0.22	5.17
Gilts & Fixed Int	6	105.5	105.5xd	112.9	+0.2	9.74
High Inc Equity	6	135.7	135.7xd	143.2	-0.1	4.37
Worldwide Bond	6	200.5	200.5	213.4	-0.2	6.07
Capital Growth						
American Growth	6	176.2	176.2xd	188.5	-1.0	1.16
Asian Pacific	6	125.0	125.7xd	133.8	+1.0	0.97
Assets & Earnings	6	158.0	158.0	169.0	[illegible]	[illegible]
Capital Reserve Acc	0	88.77	88.77	88.77	+0.23	[illegible]
Capital Reserve Inc	0	78.76	78.76	78.87	-0.21	[illegible]
Commdity & Energy	6	116.7	116.7	124.9	+0.7	[illegible]
Dividend & Growth	6	45.81	46.72	49.[illegible]	[illegible]	4.53
1992 Enterprise	6	61.98	61.98	66.3	-0.03	2.50
Euro Capital Acc	6	99.23	99.97	106.4	+0.3	0.70
Euro Capital Inc	6	95.64	96.36	102.5	+0.3	0.73
General	6	170.3	170.3	180.7	-0.3	2.82
International	6	61.03	61.33xd	65.77	-0.05	0.76
Japan	6	116.0	116.0	124.1	-0.5	0.00
Mastertrust	6	90.09	90.09	96.36	-0.02	1.76
UK Growth Acc	6	182.0	182.0	194.7	+0.5	1.63
UK Growth Dist	6	120.3	120.3	128.7	+0.3	2.47
US Emerging Cos	6	49.91	49.91	53.38	-0.40	0.00
Income & Growth	6	303.2	303.2	324.3	-0.2	3.56
Ethical	6	48.17	49.39	52.95	+0.02	[illegible]

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Acorn Unit Trust Managers Ltd (1100)F
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966

Brycourt Unit Tst Mgmt Ltd (1400)F
Hadrian Hse, Portman Sq, W1H 0JR

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2800

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

CIBC Unit Tst Managers plc (1200)H
Cotton Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

Canada Life Unit Tst Mgrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 51122

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB

PK English Trust Co (Isle of Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-796 1200

† Dealing Day: Wed. *Dealing days Thurs.

Schroder Unit Trusts Ltd – Contd.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the tables. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trust's daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: [illegible] - 0001 to 1100 hours; [illegible] - 1101 to 1400 hours; [illegible] - 1401 to 1700 hours; [illegible] - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	45.44	46.65	49.75	-0.41	1.08
(Accum Units)	5	46.76	48.01	51.20	-0.43	1.08
European Opps	5	69.09	69.39	74.00	+0.67	0.00
(Accum Units)	5	69.47	69.77	74.41	+0.68	0.00
Far Eastern Opps	5	137.91	138.13	147.35	-0.59	0.00
(Accum Units)	5	138.79	139.04	148.30	-0.59	0.00
Golden Opps	5	46.84	46.84	49.96	-0.58	0.00
(Accum Units)	5	48.18	48.18	51.39	+0.60	0.00
Int/FRT-Yield	5	57.46	57.99	61.84	-0.02	4.45
(Accum Units)	5	62.38	62.95	67.14	-0.01	4.45
Sanyo Japan Tst	5	74.60	74.79	79.76	-1.41	0.00
(Accum Units)	5	74.60	74.79	79.76	-1.41	0.00
Kangaroo	5	33.64	33.64	35.87	+0.22	1.47
(Accum Units)	5	33.83	33.83	36.08	+0.23	1.47
Oriental Income	5	34.04	34.10	36.36	+0.02	5.18
(Accum Units)	5	38.15	38.23	40.77	+0.03	5.18
Pacific Technology	5	59.18	59.18	63.11	-1.29	0.00
(Accum Units)	5	59.65	59.65	63.62	-1.30	0.00
Tiger	5	146.23	146.82	156.60	+0.62	0.72
(Accum Units)	5	148.51	149.11	159.04	+0.62	0.72
UK Hi-Yield	5	43.04	43.04	45.90	-0.14	4.96
(Accum Units)	5	49.22	49.22	52.49	-0.15	4.96
UK Opps	5	54.53	54.53	58.31	+0.03	2.99
(Accum Units)	5	59.13	59.13	63.24	+0.04	2.99
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034						

	Bid Price	Offer Price	+ or -	Yield Gross
J. Rothschild Fund Managers Ltd				
Intl Exempt	156.5	158.4	—	1.50
Stewart Ivory & Co Ltd				
Saints PPP Jan 12	264.6	278.6	—	—
Closed to new business				
Thornton Unit Managers Ltd				
[illegible]	102.49	110.21	—	3.76
(Accum Units)	104.32	110.88	—	3.76
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1080	1095	—	1.63
TR Exempt Nth Amer	903	918	—	3.64
TR Exempt Pac Basin	1001	1014	—	0

INSURANCES

AA Friendly Society

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Life Assur. Co Ltd—Contd.				
Smaller Sits Fd Accum	155.2	163.4	-0.3	—
Universal Tec Accum	118.9	125.2	-0.8	—
Smaller Co's Accum	124.4	131.0	—	—
Do Initial	116.2	122.4	—	—
Managed Pns Accum	577.2	607.6	-0.1	—
Equity Pns Accum	234.4	246.8	-0.3	—
[illegible] Pns Accum	172.2	181.3	—	—
Gilt-edged Pns Accum	376.0	395.8	+0.2	—
Money Pns Accum	354.4	373.1	+1.1	—
Property Pns Accum	176.7	186.0	+0.4	—
"500" Pens Accum	104.5	110.1	-0.1	—
Income Pens Accum	114.9	121.0	-0.2	—
Smaller Cos Pens Accum	111.7	117.6	-0.1	—
Special Sits Pens Accum	94.9	99.9	-0.2	—
Financial Pens Accum	104.5	110.1	+0.1	—
Leisure Pens Accum	109.1	114.9	-0.1	—
America Pens Accum	106.9	112.6	-0.1	—
Australia Pens Accum	106.4	112.1	—	—
European Gwth Pens Accum	149.0	156.9	+0.6	—
Japan & Gen Pens Accum	110.2	116.0	-0.4	—
Universal Tech Pens Accum	103.5	109.0	-0.7	—
Pens Deposit Accum				12.0
For prices of Initial Units phone 01-534 5544.				
Black Horse Life Ass. Co Ltd				
Mountbatten Hse, Chatham, Kent. 0634 834000				
Life Funds				
The Managed Invest Fd	335.06	352.7	—	—

	Bid Price	Offer Price	+ or -	Yield Gross
Clerical Medical Managed Funds Ltd				
15 St James's Sq, London SW1Y 4LQ 01-930 5474				
Cash	249.3	249.3	—	—
Mixed	412.6	420.9	—	—
Fixed Interest	298.7	300.2	—	—
UK Equity	536.3	547.0	—	—
Property	248.8	260.0	—	—
Overseas	369.3	380.4	—	—
Index Linked	160.6	163.4	—	—
Stock Exchange	252.3	257.3	—	—
Prices on January 24 Unit dealings on Weds.				
Colonial Mutual Group				
24 Ludgate Hill, London EC4P 4BD 01-248 9861				
CML (Unit Assurances)				
Key		199.23	—	—
Pacemaker		258.31	—	—
Cash	153.50	161.58	—	—
Equity	420.87	443.02	—	—
Fixed Interest	225.20	237.05	—	—
Managed	306.44	322.57	—	—
Property	354.42	373.07	—	—
CML (Pension Annuities—Rainbow Plans				
Cash Cap	163.23	171.83	—	—
Cash Inv	201.56	212.17	—	—
Equity Cap	1092.77	1150.3	—	—
Equity Inv	1349.3	1420.33	—	—
Fixed Int Cap	247.45	260.48	—	—
Fixed Int Inv	305.53	321.63	—	—

Equity & Law—Contd.

FS Assurance Limited

190 West George St, Glasgow

Family Assurance Society

19 New Rd, Brighton BN1 1

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Managed Cautionary	105.3	110.9	-0.1	-
Managed Growth	140.9	148.4	-0.4	-
Managed Opportunity	144.8	152.5	-0.5	-
NFMC Target Financial	102.6	108.0	-0.7	-
Pension Funds				
Managed Cautionary	109.9	115.7	-0.1	-
Managed Growth	145.1	152.8	-0.4	-
Managed Opportunity	148.1	155.9	-0.4	-
NFMC Target Mngd Pen	1541.7	1622.9	-2.4	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

Providence Capitol Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Property Initial	168.9		+0.1	-
Money Initial	78.3			-
Special Market Initial	132.2		-0.3	-
Japan Equity Initial	118.5		-1.4	-
North American Initial	79.3			-
Pacific Initial	81.6			-
Technology Initial	106.1		-1.4	-
Nat Resources Initial	56.7		-0.2	-
European Initial	102.7		-0.1	-
Residential Prop Init.	103.7			-
Swiss Equities Initial	35.7		+0.6	-
Hong Kong Initial	44.9		-0.3	-
UK High Inc Eq Init.	69.7		-0.3	-
Int Fixed Interest Init.	50.2		-0.4	-

Royal Heritage Life Assurance Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Global Sumar	301.8	317.7	-0.7	-
Gold Share	75.9	79.9	+0.3	-
High Inc.				-
Hong Kong	108.9	114.7	-0.7	-
Income	348.3			-
Japan	343.6	361.7	-2.2	-
UK Select Opps	229.3	241.4		-
Man Gth	343.9	362.0	-0.1	-
Global Inc & Gwth	120.9	127.3	-0.1	-
Worldwide Recovery	114.1	120.2	-0.2	-

Shield Assurance Ltd
40 Uxbridge Rd, W5 2BS 01-567 0700

	Bid Price	Offer Price	+ or -	Yield Gross
Shield Life Mngd	123.0			-
Shield Secure	105.4	110.7	+0.1	-
Shield Secure Pens	112.0		+0.2	-
Shield Brunel	113.0	119.2		-
Shield Brunel Pens	116.9	123.2	-0.8	-

Skandia Life Assurance Co Ltd (z)

Sun Alliance Group
Sun Alliance House, Horsham 0403 64141

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Managed	464.9	489.4	-1.5	-
Deposit	216.6	228.0		-
Equity	640.0	673.7		-
Equity Income	151.7	159.7	-0.1	-
European	115.9	122.0		-
Far East	208.2	219.2	-0.7	-
Fixed Interest	272.6	287.0	+1.4	-
Index Linked	219.8	231.1	+0.8	-
International	423.6	445.9	-4.0	-
North America	130.4	137.3	-0.5	-
Property	450.0			-
Worldwide Bond	107.9		-0.2	-

Tunbridge Wells Equitable
Abbey Court, Tunbridge Wells 0892 515353

Assurances	Bid Price	Offer Price	+ or -	Yield Gross
Capital & Income	341.0	360.0		-
C&I Regular	63.4	68.8		-
C&I Exempt	72.7	76.5		-
Prize Plan Exempt		179.7		-
Do. Taxable		155.1		-
Dominion Growth		73.2		-
Life Assurance	644.9			-
Savings Harrow	301.2	310.9		-
Savings Wide	602.7			-

Siltala Fund Managers Limited
Siltala House, The Causeway, Bishop's Stortford, Herts. 0279 757696

Royal Bank of Canada Funds

OFFSHORE AND OVERSEAS

JERSEY (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

MANAGEMENT SERVICES

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Foreign & Colonial Management Ltd

Gartmore Luxembourg SA
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg 01-638 5757 or 010-352 462252

NM Financial Mgmt Intl Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Mngd. Currency	£6.559	6.891	–0.028	6.09

NM Portfolio Selection Fund Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Conscience	£1.076	1.144	—	1.32
Far East Gwth.	$1.387	1.469	–0.057	0.00
Smaller Co's	£0.993	1.056	–0.004	1.19
Special Sits.	£2.008	1.072	–0.002	0.74
Intl Bond	$0.902	0.959	–0.002	5.49
American Fund	$1.860	1.978	–0.004	2.34
American Smaller Cos.	$1.137	1.209	–0.020	0.00
Australian Fund	£1.677	1.784	+0.006	1.79
British Fund	£1.564	1.653	—	5.26
European Fund	£2.179	2.318	—	0.88
Gold Fund	£0.825	0.867	+0.010	0.00
Hong Kong Fund	£1.509	1.605	–0.010	3.59
International Fund	£1.448	1.540	–0.003	0.35
Japanese Fund	£3.148	3.348	–0.004	0.00
Japan Smaller Cos.	£5.258	5.593	–0.027	0.00
Singapore & Malaysian	£1.475	1.569	+0.034	0.00
Dollar Fixed Interest	$0.990	1.053	–0.001	6.92
Sterling Fixed Int	£0.907	0.964	+0.003	11.44
Deutschemark Currency		DM5.037	–0.001	2.36
Dollar Currency		$1.003	—	4.91
Sterling Currency		£1.027	—	10.48
Yen Currency		Y200.7	–0.100	1.40
Managed Currency	£0.997	1.060	–0.004	6.94

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Japan Index Fund	Y4,125	4,164	—	—
New Generation Fd. S.	$29.48	23.77	—	—
Japan Index Alpha	Y12,577	12,768	—	—
Jap Sector Rotation	Y10,404	10,558	—	—

Stronghold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Tech and Comm.	£11.84	12.57	—	—
Pacific Basin Fd.	$115.88	122.89	—	—
Western European	$18.96	20.18	—	—

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Capital Defender	$1.23	1.30	—	—
Hi Yield Bond	63.0	66.3	+0.2	15.08
Internat. Spec. Sits.	52.6	55.3	–0.5	—
Maranoucil Fd.	90.4	95.1	–1.1	—

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Short Term Shares		$691.05	—	—
Fixed Income Shares		$799.73	—	—

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Intnl Growth Fd.	$13.54	14.21	–5	—

Yamaichi Capital Mangmt (Guernsey) Ltd

Nomura Asia Europe Fund

	Bid Price	Offer Price	+ or –	Yield Gross
NAV Jan 30	$11.24		+0.09	—

Nomura Dragon Global Fund

	Bid Price	Offer Price	+ or –	Yield Gross
NAV Jan 30	$11.02		+0.07	—

Nomura Growth Fund SA

	Bid Price	Offer Price	+ or –	Yield Gross
NAV Jan 30	Y18,029		+107	—

Nomura Prudential Fd Pt II

	Bid Price	Offer Price	+ or –	Yield Gross
NAV Jan 30	$15.51		+0.15	—

Nomura Prudential Global Portfolio

	Bid Price	Offer Price	+ or –	Yield Gross
NAV Jan 30	$14.90		+0.08	—

Nomura Rosenberg Alpha Fund Mark II

Transworld Bond Trust

	Bid Price	Offer Price	+ or –	Yield Gross
NAV Jan 30	$11.15		+0.02	—

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
American Special Sits.	$42.49	44.56	–0.24	—
Capital Protection	$10.17	10.68	—	—
Commodity Jan 30	$27.22	28.59	—	—
Eurobond	$29.35	30.83	+0.29	—
Money Jan 30	$33.99	35.69	+0.02	6.88
Mortgage Jan 30	C$13.71	14.40	—	—
North American	$35.59	37.38	–0.20	—
Overseas	$29.56	31.05	+0.30	—
Pacific Gold	$5.63	5.92	+0.02	—
Tiger	$43.01	45.17	–0.40	—

US Pacific Stock Fund

DUBLIN (**)

OFFSHORE INSURANCES

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up as yen loses ground

THE DOLLAR and sterling were firm yesterday and there was active cross trading between the D-Mark and Japanese yen, with the yen weaker in general.

Covering of short positions gave the dollar support in a featureless market. Traders were looking for guidance from testimony before a Congressional committee by Mr Alan Greenspan, chairman of the US Federal Reserve Board, but there was little reaction to his comments.

Mr Greenspan said the recent slowdown in the economy is likely to be temporary and that the risk of a recession has declined. He added that inflation has stabilised, but at too high a level. He also touched on the subject of Japanese investment, suggesting that money is shifting back to Tokyo.

An indication of the Japanese attitude to US investments will come from the quarterly refunding auctions held by the US Treasury. If fears prove correct that Japanese demand for US Government paper will be modest this could have a depressing influence on the dollar.

At the close in London the US currency had advanced to a technical resistance point of Y144.00 against the yen, from Y143.15 on Monday. The dollar also rose to DM1.6805 from DM1.6795; to SFr1.4895 from SFr1.4855; and to FFr5.7100 from FFr5.7050. On Bank of England figures the dollar's index advanced to 66.8 from 66.7.

Sterling remained underpinned by high London interest rates at a time when rates supporting other high yielding currencies - the Australian and Canadian dollars - have shown signs of falling. Perceptions of a slowly improving economic picture and political stability in the UK are also encouraging funds into sterling.

The pound gained 45 points to $1.6830. It also rose to DM2.8275 from DM2.8200; to Y242.25 from Y240.25; to SFr2.5075 from SFr2.4925; and to FFr9.6100 from FFr9.5750. Sterling's index rose 0.4 to 88.9.

The D-Mark was bought against the yen in Tokyo and this trend continued in Europe and early New York trading. Dealers said the D-Mark may have reached a near-term low, and the yen remains vulnerable ahead of next month's elections to the Japanese lower house. This pushed the D-Mark up to Y85.70 at the London close, from Y85.23 on Monday, amid suggestions that there may be an early attack on Y86.00.

The market took a cautious view of comments made in Moscow, by Soviet President Mikhail Gorbachev and Mr Hans Modrow, East German Prime Minister, appearing to favour German reunification.

Trading among currencies in the European Monetary System was steady. The French franc eased slightly against the D-Mark. The guilder showed virtually no movement against German currency, in spite a swing to a Fl 800m Dutch trade surplus in November from a deficit of Fl 600m in October.

£ IN NEW YORK

Jan.30	Latest	Previous Close
£ Spot	1.6780-1.6790	1.6810-1.6820
1 month	0.05-0.04pm	0.85-0.84pm
3 months	2.61-2.56pm	2.62-2.60pm
12 months	9.10-9.00pm	9.20-9.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.30	Previous
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Jan 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14 13/16-14⅝	15 1/16-15	15 3/32-15 1/32	15 1/16-15	14 15/16-14 13/16
US Dollar	8⅛-8¼	8¼-8⅛	8⅜-8¼	8¼-8⅛	8¼-8⅛	8¼-8⅛
Can. Dollar	12⅞-12¾	[illegible]	12¼-12⅛	12⅛-12	12⅛-11¾	11⅞-11⅝
D. Guilder	8⅜-8¼	8¼-8⅛	8⅛-8⅛	8[illegible]	8⅝-8½	9-8⅞
Sw. Franc	9⅛-8⅞	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛	[illegible]	9⅛-9⅛
Deutschmark	7 13/16-7⅞	7 13/16-7⅞	8-7⅞	8⅛-8[illegible]	[illegible]	8[illegible]-8⅝
Fr. Franc	10⅛-10⅝	10⅛-10⅝	10¼-10⅝	11-10⅞	11 1/16-11⅛	11¼-11⅛
Italian Lira	13-11	14¼-13¼	13¼-12⅝	13-12½	13-12⅝	13¼-13¼
B. Fr (Fin)	10¼-10⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr (Con)	10⅝-10⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	6⅝-6¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Krone	12¼-12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	8¼-8⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8[illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

Jan.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6785 - 1.6890	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.9[illegible] - 2.0100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	3.17½ - 3.19¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	58.[illegible] - 59.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	10.88¼ - 10.94¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	1.0580 - 1.0[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CURRENCY RATES

Jan 30	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Jan.30	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Jan.30	£	$
Mexico	4537.00 - 4556.00	2695.00 - 2705.00
N Zealand	2.8175 - 2.8235	1.6715 - 1.6745
Saudi Ar.	6.3140 - 6.3185	3.7500 - 3.7510
Singapore	3.1330 - 3.1400	1.8[illegible] - 1.8615
S. Af (Cm)	4.2830 - 4.2945	2.5460 - 2.5[illegible]
S. Af (Fn)	5.6090 - 5.7043	3.3330 - 3.3895
Taiwan	44.00 - 44.10	26.15 - 26.20
U.A.E.	6.1825 - 6.1875	3.6720 - 3.6730

*Selling rate

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.30	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan.30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
H Fl.	0.314	0.528	0.887	76.00	3.016	0.787	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.476	0.800	1.346	115.2	4.570	1.19[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.499	0.839	1.410	120.8	4.791	1.250	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.691	2.845	4.781	409.6	16.25	4.240	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]	[illegible]

LONDON (LIFFE)

[illegible]	[illegible]

CHICAGO

[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
Beneficial Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	Hongkong & Shangh	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	Meghraj Bank Ltd	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	[illegible]	15		
Comm.Bk N.East	15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Rates drift lower

THE DOWNWARD drift in London interest rates continued yesterday as sterling maintained a firm tone on the foreign exchanges. The threat of higher UK bank base rates appears to have receded, after last Friday's reasonably encouraging December trade figures, but dealers said it is still too early to look for a cut in rates. On the other hand, it was pointed out that if the pound continues to improve it is in the nature of markets to pre-empt a change.

Three-month sterling interbank was quoted at 15 1/32-15 1/32 per cent, against 15 1/32-15 1/16 on Monday, while 12-month eased to 15-14⅞ per cent from 15 1/16-14 15/16.

Better sentiment was reflected in a firmer opening for short sterling futures on Liffe. March delivery opened at 85.08 and touched a peak of 85.12. It failed to follow through to attack resistance at 85.15 however, weakening with a downturn in US bonds, to close at the day's low of 85.04, compared with 85.05 on Monday.

Credit conditions were comfortable in London. The Bank of England initially forecast a flat credit position. This was revised to a surplus of £100m at noon and back to flat in the afternoon. The authorities did not operate in the market.

In New York the Federal Reserve drained liquidity from the banking system, via two-day matched sale and repurchase agreements.

In Frankfurt call money continued to fall as banks remained well supplied with liquidity towards the month-end. Banks' reserve holdings averaged D61bn for the first 28 days of January, and there should be no problem in meeting the provisional average requirement for the month of DM60.3bn.

The call rate declined to 7.10 from 7.50 per cent. This was regarded as purely technical and not a sign of easier credit policy by the Bundesbank. There remains a fear in the market that the Bundesbank may tighten its monetary stance, but the central bank council meets on Thursday and is not expected to take any fresh monetary initiatives.

A two-tranche securities repurchase agreement, for 28 and 62-day funds, was offered by the Bundesbank yesterday. Bids must be made today, but the result of the tender will not be announced until tomorrow when two facilities totalling DM29.7bn expire.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.30) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8¼	bid 8⅛	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]	[illegible]

Jan.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

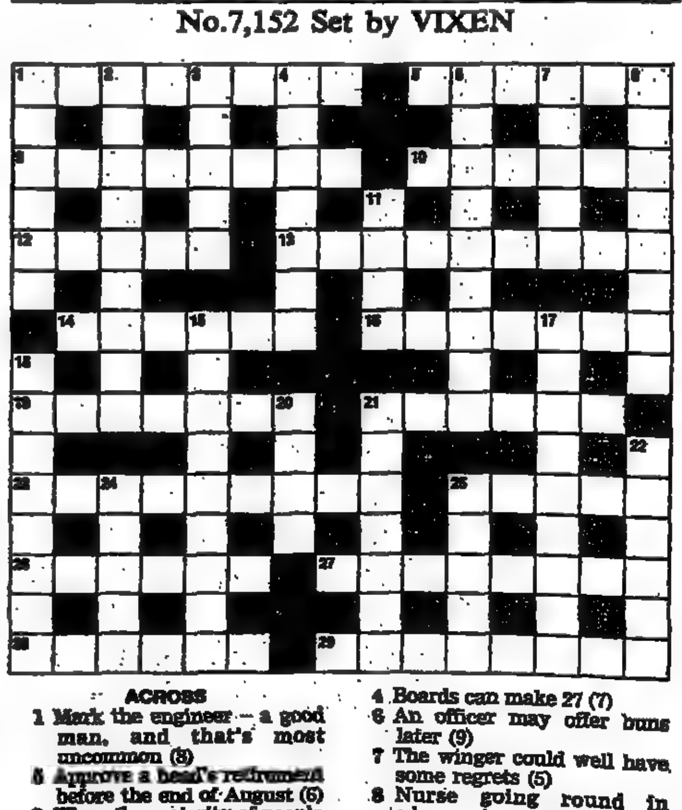
Jan 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent. Treasury Bills: Average tender rate of discount 14.[illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1990. Agreed rates for period February 26 1990 to March 25, 1990, Scheme II & III: 16.43 p.c. Reference rate for period Dec. 30, 1989 to January 31, 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,152 Set by VIXEN



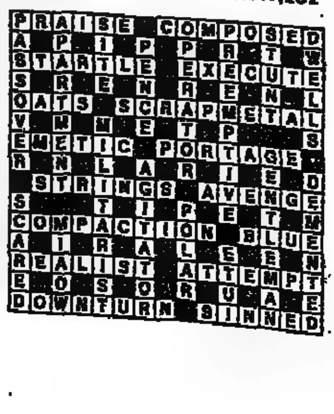
ACROSS

1 Mark the engineer – a good man, and that's most uncommon (8)
5 Approve a head's retirement before the end of August (6)
9 When the majority of people can start (8)
10 A king's robe – no innovative design (6)
12 Poetry written say in a cathedral (5)
13 One's backing a politician to reveal the source of dope (9)
14 There's some bitterness over this measure (6)
16 A bomb angered constituents (7)
19 "Time, the —!" Byron (7)
21 Ask searching questions about a set of books in a store (6)
23 Only stone like this came down river (9)
25 Experience discrimination (5)
26 Union leader (black) may be employed (6)
27 Member of the family arranging travel – ie movement (8)
28 Flush about the French number (6)
29 Suppress the Left in odd situation (8)

DOWN

1 Food for Northern folk (6)
2 Bring together material for builders (9)
3 An accountant – your old-fashioned woman (5)
4 Boards can make 27 (7)
6 An officer may offer buns later (9)
7 The winger could well have some regrets (5)
8 Nurse going round in advance is so occupied (8)
11 Sticks up for the complacent (4)
15 Sportsman a little on the melancholy side? (5,4)
17 Unusual police function (9)
18 One of the ballet company might be Sudanese (8)
20 Flighty creature seen in the bar (4)
21 Now to get something special for Christmas! (7)
22 Always being accommodated by serving men shows respect (6)
24 Will go (5)
25 It's up to a painter to provide the jewellery (5)

Solution to Puzzle No.7,151



WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices January 30

MONTREAL
4pm prices January 30

INDICES

NEW YORK

DOW JONES	Jan 30	Jan 29	Jan 26	Jan 25	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2543.24	2553.38	2559.23	2561.04	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.82	91.20	91.37	91.54	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1031.83	1074.50	1101.17	1117.35	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.69	218.44	218.06	216.30	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2576.13 (2583.56) Low 2513.06 (2522.97)

STANDARD AND POOR'S

	Jan 30	Jan 29	Jan 26	Jan 25	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	322.98	325.20	325.80	326.08	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	371.92	374.31	374.58	374.86	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.31	27.63	27.86	28.02	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	178.43	179.73	180.21	180.61	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	345.50	349.54	350.87	353.64	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	410.72	418.11	421.33	425.24	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 26	Jan 19	Jan 12	year ago (approx.)
Dow Industrial Div. Yield	4.20	3.99	3.96	3.46
	Jan 24	Jan 17	Jan 10	year ago (approx.)
S & P Industrial div. yield	3.11	3.03	2.94	3.12
S & P Indl. P/E ratio	14.09	14.39	14.80	13.40

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
A T & T	4,430,000	37¼	− 1¼
New Germen	3,430,100	24¼	− ½
Fannie Mae	2,645,700	29¼	− 1⅞
Utd Telecom	2,527,300	31¼	− 1⅞
Philip Morris	2,196,100	37	
IBM	2,161,700	97¼	
Bank New Eng	1,978,900	4¼	+ ⅝
Gen Electric	1,933,500	61¼	
Mobil	1,758,600	58½	+ ⅛
UAL Corp	1,443,800	121	− 15½

TRADING ACTIVITY

† Volume Millions	Jan 30	Jan 29	Jan 26
New York	184.581	150.770	199.717
Amex	14.867	12.780	15.759
NASDAQ	(u)	118.590	136.338
Issues Traded	(u)	1,942	1,964
Rises	(u)	538	549
Falls	(u)	947	949
Unchanged	(u)	457	466
New Highs	(u)	10	8
New Lows	(u)	144	155

CANADA

TORONTO	Jan 30	Jan 29	Jan 26	Jan 25	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3048.70	3056.64	3064.41	3071.85	3919.2 (1/9/89)	3048.70 (30/1/90)
Composite	3707.00	3722.52	3733.72	3749.35	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1864.30	1875.79	1876.80	1888.28	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

THAILAND				
Bangkok SET (30/4/75)	862.42	858.16	858.14	846.0[illegible]
WORLD				
M.S. Capital Intl. (1/1/70)	(u)	540.5	535.6	534.[illegible]

**Saturday Jan. 27: Taiwan Weighted Price: (c) Korea Comp Ex. 905.75
♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday January 30 1990

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	38.6m	829	+21
IHI	19.7m	1,350	+30
Sumitomo Mt Mg	11.9m	2,230	+40
MHI	11.6m	1,120	+10
NEC	7.8m	2,010	-30
Nippon Steel	7.6m	715	+6
NKK	6.6m	706	+11
Tokyo Steel	6.4m	6,500	+30
Sumitomo Mt Id	6.2m	796	-10
Kenwood	6.2m	1,270	+20

4pm prices January 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24⅞	AAR	.48	1.6	18	374	31	30⅝	30⅞	+ ⅛
9¾	8½	ACM n	1.01	11.		243	9½	9¼	9⅜	
11⅝	10½	ACMIn	1.26	11.		443	11¼	11	11¼	+ ⅛
9⅞	8	ACM M	n1.01	12.		405	8⅞	8¼	8⅛	
12⅛	12	ACMMM				202	12⅛	12	12	
11½	10	ACM Sc	1.26	12.		1254	11⅛	10¾	10⅞	– ⅛
9⅝	8⅛	ACMSp	1.01	11.		888	9¼	9	9⅛	– ⅛
19⅝	11½	AL Lab	.16	.9	18	215	17½	17¼	17¼	– ⅜
4⅝	3¼	AMCA	.12e	3.7	8	2	3¼	3¼	3¼	– ⅛
6⅞	3½	AM Intl			7	1342	3½	d 3⅜	3⅜	– ⅛
29½	16⅝	AM In pf	2	12.		13	16¾	d16⅝	16½	– ¼
107¼	54½	AMR			7	9050	55⅞	d52½	50⅞	– 2⅛
5½	3⅛	ARX				30	3⅝	3½	3½	– ¼
66	39	ASA	3a	4.5		2028	u66½	64⅞	65⅞	+ 1¼
70⅞	48⅛	AbtLab	1.40	2.2	17	3299	64¾	63½	64⅞	– ⅜
18¾	11⅛	Abitibi g	.50			28	11⅝	11⅝	11⅝	– ⅛
13	8¼	AcmeC	.40	4.1	11	143	9⅞	9⅝	9⅞	+ ⅛
9¾	6	AcmeE	.32	3.6	12	46	8⅞	8⅞	8⅞	
38½	24¼	Acusn			19	542	29⅞	29⅛	29⅛	– ⅜
16½	12⅞	AdaEx	2.06e	14		134	15⅛	15	15	– ⅛
13⅞	6⅞	Adobe				431	13½	12⅞	13	+ ⅛
20¼	16⅞	Adob pf	1.84	9.6		15	19⅞	19⅞	19⅞	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		11	21¼	21	21	– ¼
10½	7¼	AMD			5	1585	7½	7¼	7¼	– ⅛
35	28½	AMD pf	3	10.		4	28⅞	28½	28¾	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12⅝	5	Wyss				79	8⅝	8⅝	8⅝	− ⅛
60	52½	Xerox	3	5.6	14	1553	55½	d52½	53½	− ½
49	44½	Xerox pf4.13		8.7		5	45	47½	47½	− ⅛
43⅝	23½	XTRA	.72	3.0	30	20	24½	24	24⅛	
32½	21⅛	XTRA pf1.94		8.9		10	21⅞	21½	21⅞	+ ⅛
4⅝	2⅛	Zapata				229	2½	2⅛	2⅛	− ⅛
21½	8⅛	ZenithE				1764	9⅛	d 8⅞	9	− ¼
21½	16⅞	ZeoNtl	.84	5.3	7	338	17	d16	16	− ⅞
10	8⅛	Zenix	1.08	16.		166	6⅛	6	6⅛	+ ⅛
18½	14⅛	Zero s	.40	2.7	14	258	15	14⅛	14⅞	− ⅛
44⅝	26⅛	Zurnln	.76	2.1	17	805	36½	35⅞	35⅞	+ ⅛
12⅝	10	Zweig	1.21e	11.		788	11⅛	10⅞	11	− ⅛
10	8⅛	ZweigTl	.96	10.		1179	9⅛	9⅛	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 30

NASDAQ NATIONAL MARKET

3pm prices January 30

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wolohn	.28b	9	15	16	16	16	− ½
WlvEx h			643	11	10¾	10½	− ½
Worthg	.56	18	464	20⅝	20⅝	20⅝	
Wyman	.60		180	13	12½	13	+ ⅛
−X−Y−Z−							
XL Dta s		8	301	8½	8⅛	8⅛	− ⅛
XOMA			3175	19⅛	18½	18⅛	−1⅛
Xicor		144	153	3⅛	d 2⅞	2⅞	− ⅛
YenEnS	.76a	13	13	20½	20⅛	20⅛	
YelowF	.76	11	2134	24⅛	d23½	24⅛	− ⅛
YorkRs		17	444	9½	8⅞	9	− ⅛
ZionUt	1.44	11	55	26	25⅛	25⅛	− ⅛

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
60	52½	Xerox	3	5.6	14	1353	53½	d52½	53¼	- ⅛
49	44½	Xerox pf4.13		8.7		6	45	47½	47½	- ⅛
43⅝	23½	XTRA	.72	3.0	30	20	24½	24	24⅛	
32½	21⅛	XTRA pf1.94		8.9		13	21⅞	21½	21⅞	+ ⅛
4⅛	2½	Zapata				229	2½	2⅜	2⅜	- ⅛
21½	8¼	ZenithE				1764	9¼	d 8⅝	9	- ⅛
21½	16⅞	ZeoNtl	.84	5.2	7	336	17	d16	16	- ⅜
10	8⅛	Zenix	1.08	18.		158	6⅛	6	6⅛	+ ⅛
18½	14⅛	Zero s	.40	2.7	14	255	15	14⅝	14⅞	- ⅛
44⅛	35⅛	Zurntn	.76	2.1	17	805	36½	35⅞	35⅞	+ ⅛
12⅞	10	Zweig	1.21e	11.		788	11⅛	10⅞	11	- ⅛
10	8⅛	ZweigTl	.96	10.		1170	9⅛	9⅛	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 30

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices January 30

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow declines as speculative issues retreat

Wall Street

A SELL-OFF of takeover stocks, coupled with increased concerns about interest rates, pulled the stock market broadly lower yesterday in fairly active trading, *writes Karen Zagor in New York.*

The Dow Jones Industrial average was closed at 2,543.24, down 10.14 points, compared with a drop of 5.85 points to 2,553.38 on Monday. Volume on the New York Stock Exchange was moderate, with 187.7m shares changing hands. On the big board, declining issues led those advancing by 1155 to 394.

The stock market slump was broadly based, with all of the major US stock market indices falling. The important Standard & Poor's 500 was off 2.23 points at 322.97, the New York Stock Exchange Composite was 1.31 points lower at 178.42 and the American Exchange Composite fell 4.04 points to 345.50.

Among other Dow Jones stock averages, the transportation index fell sharply, by 42.67 points to 1,031.83. The utilities index recovered to close up 0.18 points at 218.69 after sliding as much as 2.14 points earlier in the day.

The weakness in the stock market was initially mirrored in the debt market, but bonds later rallied on the back of a strong dollar. The dollar, which ended the day at about Y144.95 and DM1.6970, rose on reports that Soviet Premier Mr Mikhail Gorvachev was planning to step down as head of the Communist party. The Treasury's bellwether 30-year issue was quoted up ⅛ point, yielding 8.54 per cent.

The stock market was somewhat depressed by remarks by Mr Alan Greenspan, chairman of the Federal Reserve, who said that the likelihood of a recession was less than 50 per cent, but that the risk was "not negligible."

Hilton Hotels fell $2¼ to $57¾. The company's board was scheduled to meet yesterday to discuss whether to accept one of several takeover bids, or to recapitalise or to remain a public company.

UAL, the parent of United Airlines and a perennial takeover issue, dropped $16¾ to $120½. Stride Rite, another takeover candidate, plunged $4 to $20 and DeSoto lost $2½ to $31½. Holiday Corp was down $1½ to $58.

Issues of several companies where deals have failed recently also moved lower yesterday. MGM-UA slumped $1¼ to $11. Philips Industries was off $⅝ to $12⅞ and Birmingham Steel fell $⅞ to $15½.

MCI Communications plunged $3⅛ to $31¼ in heavy over-the-counter trading after the company reported disappointing fourth-quarter operating income of 53 cents a share. United Telecommunications was down $1⅞ at $31⅛ in heavy trading, reflecting concerns about the long distance telephone industry after MCI's lower earnings and comments from American Telephone & Telegraph, saying the company expects a slowdown in growth for 1990. AT&T fell $1⅞ to $37⅝. It was the most heavily traded stock on the New York Stock Exchange yesterday.

Boeing gained $⅞ to $58¼ in spite of lower-than-expected fourth quarter earnings. Analysts believe losses from the company's defence and space unit, which were $474m in 1989, have finally bottomed out.

A number of closed-end single-country funds moved lower yesterday. The Germany Fund, which has been a Wall Street favourite thanks to recent political changes in eastern Europe, dropped $2 to $22⅞.

Among blue chip stocks, Philip Morris was up $⅛ at $37⅞, IBM rose $¼ to $97⅞ and Coca-Cola fell $1⅞ to $66⅞.

Canada

GOLD stocks were the only sector to move against a market decline in Toronto. Prices finished lower for the fifth day in succession, with the composite closing 15.52 lower at 3707. Declines outnumbered advances 417 to 231.

Turnover picked up to 27.3m shares, worth C$354.6m, from yesterday's 19.2m shares, worth C$243.2m.

Gold stocks were generally higher, rising 1.7 per cent on index, in spite of a drop in the price of bullion.

EUROPE

Special situations caught in the spotlight

INDIVIDUAL stocks and sectors provided much of the excitement in Europe yesterday, as France retreated and West Germany closed little changed, *writes Our Markets Staff.*

PARIS was steeped in pessimism and share prices declined in another low-volume session, but there were a few buying opportunities which attracted interest.

The CAC 40 index, which lost 12.68 to 1,892.03, was hit by a 15.7 per cent fall in Casino, a retailer and the most active stock. Some analysts had cut significantly their estimates of sales for the second half, catching the market by surprise, said one observer. Casino dropped FFr22.20 to FFr164.

Fromageries Bel moved in the opposite direction, gaining FFr120 to FFr2,400. It rose partly because it looked cheap after recent falls, and partly on takeover speculation.

The oil group Elf Aquitaine declined after estimating that net profits would be below expectations at more than FFr7bn, after a FFr3bn depreciation charge. Its shares lost FFr12 to FFr544 on profit-taking after their recent rise.

Bouygues, the construction company, eased FFr10 to FFr585 after reporting earnings in line with expectations.

Michelin, the tyre company, continued to bounce about, losing FFr4 to FFr159 after Monday's FFr6 gain and Friday's FFr11.50 loss. There are rumours that the company is planning a capital increase.

Overall turnover was estimated at FFr2bn.

FRANKFURT concentrated on the chemical sector, which advanced strongly in a generally mixed market. The DAX index was up only 1.02 at 1,821.57 at the close, recovering from an early fall of about 8 points, and the FAZ rose 0.46 to 758.64. Turnover rose from DM6.9bn to DM7.3bn.

"The key factors that have been subduing the market have been events in the Soviet Union and the growing political vacuum in East Germany. The market has taken some comfort from the calling of early elections there," said one observer.

Chemical stock turnover was high with much demand from overseas. Investors sensed that the sector was undervalued and reacted to positive analysts' recommendations and speculation about higher dividends. BASF was up DM9.30 at DM307.30, Bayer put on DM9 to DM314.50 and Hoeschst rose DM7.80 to DM303.10.

"The attraction of the fundamentals in the sector is well known. Japanese investors have been buying heavily because they see the stock as a good, longer term prospect with p/e ratios of 7.5 and sometimes lower, sound dividends and good liquidity," an analyst said.

Deutsche Bank led its sector lower after rumours, later confirmed, of a capital increase at the country's largest bank. It fell DM4 to DM812. The bank has set a one-for-17 rights issue priced at DM600 and is raising its dividend on 1989 results to DM14 from DM12.

AMSTERDAM saw foreign buyers creep back into the market, helping shares make gains in moderate volume. The CBS tendency index added 1.0 to 112.6.

Some large buy orders for Nedlloyd swelled turnover; the stock gained Fl 2.60 to Fl 84.90. Royal Dutch rose Fl 2.90 to Fl 142.10 in the day's most active trading and Unilever picked up Fl 1.30 to Fl 150.60.

Heineken, which said it would cut 700 jobs in the next four years, rose Fl 3.10 to Fl 118.60. Philips, which signed a Fl 80m contract with the education ministry, gained 10 cents to Fl 43.

BRUSSELS was again mixed because of interest rate fears, with activity centred on Cockerill, the steel group, which made a strong start in heavy trading. The cash market index rose 11.26 to 6,259.76.

Cockerill improved by 1 per cent, adding BFr2 to BFr199 as 164,500 shares changed hands.

Fabrique Nationale Herstal, the small arms, sporting goods and aeronautics group, forecast a consolidated net loss for 1989. It fell BFr10 to BFr457.

Petrofina eased BFr50 to BFr11,825. After the close, the company reported an 8 per cent profits rise.

Société Générale de Belgique, the holding company, again denied a report that it was negotiating the sale of a large stake in its metals arm, Acec-Union Minière, to RTZ, the UK mining group. Société Générale put on BFr50 to BFr3,450.

MADRID continued to edge higher on institutional demand after last week's retreat. The construction sector again performed well, with Urbis gaining 14 percentage points to 411 per cent of par.

Banesto, the bank, which moved on to the continuous market on Monday, rose Pta50 to Pta4,260 after the previous day's Pta175 decline. The general index gained 1.64 to 279.49.

MILAN fell on a broad front in thin trading. A negative tone was blamed on domestic political tension and uncertainty in financial markets abroad. The Comit index fell 4.68 to 679.99.

Much of the negative tone stemmed from reaction to last week's Fiat earnings report. Fiat lost L70 to L10,505 at the close, but then fell to L10,380 in the after-market.

STOCKHOLM moved slightly higher in trade reduced to a trickle by the wage dispute, which has crippled the entire Swedish banking system. Total turnover was a tiny SKr35m. The Affärsvärlden General index rose 9.5 to 1,227.4.

HELSINKI fell in thin trade, with shares in United Paper Mills closing sharply lower. The Unitas all-share index shed 3.2 to 660.8. UPM free shares dropped FM30 to FM221 after rising recently.

OSLO closed mostly higher in active trading. The all-share index rose 1.14 to 565.72.

SOUTH AFRICA

GOLD shares eased slightly in quiet Johannesburg trading, giving up part of Monday's gains after a retreat in the bullion price.

ASIA PACIFIC

Worries about short-term prospects trim early gains

Tokyo

THE YEN'S continued firmness against the dollar failed to entice investors back into the market and share prices drifted marginally higher in slow trading, *writes Michiyo Nakamoto in Tokyo.*

A lack of new incentives and uncertainty about the market's near-term prospects undermined an initial uptrend, while selling in arbitrage with the futures market also trimmed the Nikkei's earlier gains. After fluctuating from a high of 37,336.11 to a low of 37,192.23, the Nikkei closed with a slight gain of 41.97 at 37,215.67.

Index-linked buying by newly launched investment trust funds, along with futures-related trading, took the Nikkei index higher in early trading, with a rise of more than 130 points in the first 15 minutes of trading.

Advances led declines by 546 to 372, while 200 issues were unchanged. Turnover was up slightly to 477m shares from the 430m traded on Monday. The broad-based Topix index saw a moderate gain of 4.46 to 2,741.22 and, in London trading, the ISE/Nikkei 50 index rose 1.64 to 2,051.08.

Mr Mitsuru Maekawa at Jardine Fleming said that, although prices had fallen in some sectors to attractive levels, the uncertain future for the market was making it very difficult for investors to go bargain-hunting.

Although it was possible that the Nikkei had bottomed out, as it had rebounded above the 37,000 level after falling below it several times, there was concern that it could fall further, Mr Maekawa said.

At the same time, most analysts thought that, as investors' cash positions are high, there could be another run before the closing of books at the end of March. Such a scenario, however, depended on whether or not political stability could be maintained, both up to and after the national elections to the Lower House of the Diet scheduled for mid-February.

Even if the ruling Liberal Democratic Party maintained a majority, there was still a possibility that things could become complicated by factional infighting over the prime minister's post after the elections.

The fragility of the market was clearly reflected in its reaction to Sony's announcement that it plans to issue yen warrant bonds. At a time when hopes had been pinned on electricals to lead the market, news of the financing plan took Sony's share price down Y340 to Y8,310. If the market had been healthy, it would have ignored the news, one trader said.

Other electricals were also weak, with Toshiba falling Y30 to Y1,200 and Pioneer off Y100 at Y5,950.

Heavy capitalisation issues, on the other hand, were back in focus. Kawasaki Steel topped the actives list with 38.8m shares and gained Y21 to Y829. Ishikawajima-Harima Heavy Industries followed with 19.7m shares and rose Y30 to Y1,350. Such issues were looking cheap as they had been neglected for some time.

Issues supported by strong domestic demand, such as housing and railway stocks, were pursued in Osaka, contributing to a 221.35-point rise in the OSE average to 38,157.78. Volume improved to 61m shares from the 58m traded on Monday. Toyo Shutter gained Y280 to Y3,690.

Roundup

TALK OF a forthcoming election boosted Australia in a mixed day for the Asia Pacific region. As one analyst put it: "Most of the markets tried to go better at the opening. They started with a bit of a rally, but that soon brought the sellers out." Taiwan and Malaysia remained closed for the new year holiday.

AUSTRALIA warmly welcomed late afternoon speculation that Prime Minister Mr Bob Hawke would announce the date for a federal election. The All Ordinaries index rose 12.0 to 1,695.8 after the long Australia Day weekend.

However, a downgrading of some of the debt of National Australia Bank and Westpac by credit-rating agency Moody's Investors Service put pressure on the banking sector. National Australia Bank fell 2 cents to A$6.80, Westpac shed 4 cents to A$6.06 and ANZ slipped 6 cents to A$[illegible].32.

Turnover totalled 118m shares worth A$[illegible]m, considerably lighter than Friday's 167m valued at A$[illegible]m.

BHP, the resources sector leader, added 21 cents to A$10.05 after finding support in a weaker Australian dollar, firmer base metals prices and demand for scarce quality scrip.

News Corp cast a cloud over the media sector, with a 30 cent fall to A$12.50 amid concerns about its debt.

SINGAPORE took its lead from Tokyo, with the Straits Times industrial index rising 28.61 points. Turnover was moderate at 90m shares valued at S$183m.

HONG KONG encountered slight selling by overseas investors which local investors failed to follow, while trade was generally thin after the holiday weekend. The Hang Seng index fell 8.06 to 2,760.8 and turnover slipped to a thin HK$519m compared with last Thursday's HK$523m.

Overseas interest helped Cheung Kong, the colony's biggest business empire, rise 10 cents to HK$9.95.

Mandarin Oriental, the luxury hotels group, added 15 cents to HK$5.10 on speculation that it might be the target of a French predator. One analyst said that it was being singled out because "it seemed most likely to be the stock that would shine through the gloom," in spite of pessimistic figures for hotel occupancy.

MANILA eased on profit-taking in weak activity. The Manila composite index dipped 2.28 to 1,063.64.

WELLINGTON was again volatile. The Barclays index fell 16.51 to 1,923.87 as turnover returned to a moderate 6m shares worth NZ$10m.

SEOUL fell sharply in active trading. The composite index lost 3.85 to 888.47.

BOMBAY fell across the board as brokers ended their boycott. Trading resumed after the stock exchange authorities reduced the penalties which it imposed on two brokers last week for failing to deposit margin money on their outstanding positions. The Bombay index fell 15.15 to 701.08.

Turkey survives fake shares and a bomb

Jim Bodgener on the bull run that some analysts say is a bubble that could burst

ISTANBUL's emerging stock market, the IKMB, appears to have weathered the squalls following a dummy share scandal and a botched terrorist bomb attack last week. Yesterday, after a few days in sackcloth and ashes, it seemed to be back in the bull run which dates back to the beginning of January.

At close of trading yesterday, the IKMB index was 3,470 on a trading volume of TL73.9bn ($31.4m), up from 3,199 on Monday. It last peaked at 3,811, mid-way through last week.

Altogether, five people have been taken into police custody, pending an investigation by the government and the watchdog Capital Markets Board (CMB) in Ankara into the issue of fake shares in the market leader, Cukurova Elektrik. The shares had been floating undetected on the market from November; a statement from the authorities is expected later this week.

But what seems to have brought the index down, according to both stock exchange officials and dealers, was the exclusion on security grounds of individual, small investors from the exchange building following the bombing attempt on Tuesday, in which the terrorist blew himself up. Only leading brokers and traders – by Istanbul standards, at least – have been permitted entry.

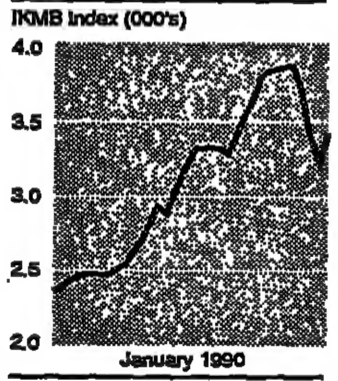
"It has led to a better, professional atmosphere," says one dealer in a subsidiary of a large bank. "The exchange management, anyway, was looking for a reason to stop the small fry clogging up the works."

The minor slump has come as a salutary lesson to an overheating market, say exchange officials and traders. In spite of the recent setback, the index yesterday was showing a rise of more than 50 per cent from the 2,217 it reached on the last day of business in 1989.

There are mixed predictions about the path the market will take from now on: some say that it will probably start falling again towards the end of the week, others that it has bottomed out, and will begin to climb again. "It is a dangerous, unpredictable market for small investors, who are most exposed to large fluctuations," said an exchange source.

Turkey

IKMB index (000's)



Other critics say that the market has risen out of all proportion to corporate performance, and that last week's events only deferred the bursting of a dangerous bubble. They argue that, to safeguard the capital markets as a whole, the family owners of large corporations should release more of their jealously guarded equity, which would then soak up unrequited investment demand.

Foreign investor interest in the exchange – latterly from US and European-based funds – has boosted the market since last August, when it was opened to direct foreign investment by deregulation in a decree aiming at lira convertibility.

Meanwhile, the phoney share scandal could involve anything between TL10bn and TL100bn. But it has not dented confidence in Cukurova, which had a price/earnings ratio of about 14, and is being pursued by foreign and local investors alike. It was still the market leader yesterday.

One leading Turkish institution, Iktisat Bankasi, has said that it will compensate in full (an estimated total TL300m) for the fake shares it transferred to accounts retained with the bank. "I think that the stock exchange is still such a small baby that there's bound to be some mismanagement," said Iktisat chief executive Mr Erol Aksoy. "We're still on a learning curve."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 30 1990						MONDAY JANUARY 29 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	151.58	+1.0	133.53	131.72	+0.6	5.18	150.07	132.55	130.90	160.41	128.28	157.12
Austria (19)	219.88	+1.1	193.70	191.51	+1.2	1.35	217.39	192.02	189.18	219.88	92.84	95.03
Belgium (61)	150.49	+0.0	132.57	130.08	+0.0	4.30	150.57	132.99	130.14	160.02	125.58	134.26
Canada (120)	138.99	−0.5	122.44	119.82	−0.4	3.34	139.76	123.44	120.27	154.17	124.67	135.31
Denmark (36)	246.30	+1.0	216.97	216.98	+1.1	1.46	243.75	215.30	214.66	250.34	165.35	154.49
Finland (26)	148.23	+0.4	130.58	122.80	+0.4	2.54	147.71	130.47	122.37	159.16	118.63	132.85
France (125)	149.72	−0.6	131.89	134.10	−0.5	2.81	150.60	133.02	134.77	157.97	112.57	116.23
West Germany (96)	127.00	+0.0	111.88	110.96	+0.0	1.90	127.02	112.19	110.90	130.32	79.56	84.04
Hong Kong (46)	113.30	−0.4	99.81	113.62	−0.4	5.02	113.72	100.45	114.04	140.33	86.41	127.75
Ireland (17)	194.21	−1.2	171.08	173.69	−1.0	2.50	196.53	173.59	175.43	198.57	125.00	185.47
Italy (96)	97.89	−0.7	86.23	91.34	−0.8	2.51	98.62	87.11	92.06	102.11	74.97	81.94
Japan (455)	186.37	−0.4	164.17	169.64	+0.2	0.48	187.18	165.33	169.37	200.11	164.22	190.90
Malaysia (36)	226.17	+0.2	199.24	235.01	+0.0	2.28	225.81	199.46	234.99	238.21	143.35	154.95
Mexico (13)	338.23	+1.9	297.96	998.48	+1.9	0.52	332.03	293.28	980.16	338.23	153.32	160.92
Netherland (43)	138.35	+1.3	121.87	119.56	+1.3	4.50	136.63	120.69	118.02	145.66	110.63	112.64
New Zealand (18)	69.63	−0.5	61.34	61.86	−0.9	5.70	70.01	61.84	62.40	88.18	62.64	71.13
Norway (24)	218.42	+1.5	192.41	192.11	+1.5	1.42	215.28	190.15	169.20	219.26	139.92	158.78
Singapore (26)	187.60	+2.8	165.26	160.84	+2.4	1.81	182.49	161.19	157.01	189.94	124.57	139.08
South Africa (60)	227.57	−1.5	200.47	167.19	−0.2	3.33	231.14	204.16	167.59	231.14	115.35	125.65
Spain (43)	154.66	−0.1	136.25	126.89	−0.2	4.17	154.78	136.71	127.10	169.75	143.14	149.26
Sweden (35)	195.64	+0.3	172.34	176.81	+0.1	1.94	195.13	172.35	176.71	206.95	138.45	148.85
Switzerland (62)	94.45	−0.2	83.21	87.22	+0.0	2.05	94.69	83.64	87.20	99.12	67.81	75.89
United Kingdom (306)	159.36	+0.0	140.38	140.38	−0.3	4.50	159.39	140.79	140.79	164.31	133.28	149.29
USA (542)	130.61	−0.7	115.06	130.61	−0.7	3.61	131.55	116.19	131.55	146.29	112.13	120.99
Europe (989)	142.09	+0.0	125.17	124.93	−0.1	3.42	142.16	125.57	125.09	146.66	112.63	118.67
Nordic (121)	192.98	+0.7	170.00	165.16	+0.6	1.73	191.65	169.28	164.13	198.12	137.95	143.23
Pacific Basin (667)	182.35	−0.4	160.64	166.04	+0.2	0.73	183.03	161.67	165.76	194.72	160.44	186.79
Euro – Pacific (1656)	166.44	−0.3	146.62	149.66	+0.1	1.66	166.87	147.40	149.55	174.18	141.56	159.54
North America (662)	131.02	−0.7	115.42	129.94	−0.7	3.60	131.95	116.54	130.85	146.68	112.79	121.75
Europe Ex. UK (683)	130.28	−0.1	114.77	115.40	+0.0	2.70	130.37	115.15	115.41	134.66	96.30	99.80
Pacific Ex. Japan (212)	134.10	+0.7	118.13	121.03	+0.4	4.76	133.22	117.67	120.55	140.05	111.93	137.41
World Ex. US (1849)	166.18	−0.3	146.39	149.09	+0.1	1.73	166.65	147.20	149.01	173.77	141.49	158.37
World Ex. UK (2085)	151.84	−0.5	133.76	143.13	−0.2	2.07	152.53	134.73	143.36	162.00	135.98	143.39
World Ex. So. Af. (2331)	152.04	−0.4	133.93	142.66	−0.2	2.28	152.65	134.83	142.91	161.84	136.67	144.02
World Ex. Japan (1936)	136.55	−0.4	120.29	129.05	−0.4	3.57	137.09	121.09	129.58	145.52	114.51	121.38
The World Index (2391)	152.49	−0.4	134.34	142.83	−0.2	2.29	153.12	135.25	143.08	162.05	136.68	143.90

Malaysian market closed January 30. A full update of prices was unavailable for Finland & Sweden January 29/30.